



Government of the Cook Islands
Financial Statements
for the year ended 30 June 2016



Contents

Directory	3
Statement of responsibility	4
Fiscal overview	5 - 16
Independent audit report	17 - 22
Schedule of Government entities	23
Statement of financial performance	24
Statement of financial position	25
Statement of changes in equity	26
Statement of cash flows	27 - 28
Statement of segments	29 - 31
Statement of borrowings	32 - 38
Statement of commitments	39
Statement of contingent liabilities	40
Statement of accounting policies	41 - 48
Notes to the financial statements	49 - 63



Directory

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Minister of Finance and Economic Management

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Statement of responsibility

In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995/96, the Minister of Finance and the Financial Secretary are responsible for the preparation of the Cook Islands Government's financial statements and the judgments made in the process of producing those statements.

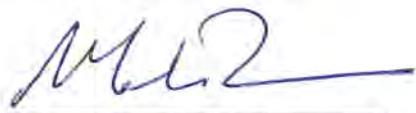
In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995/96, the Minister of Finance and the Financial Secretary are responsible for the preparation of the Cook Islands Government's financial statements and the judgments made in the process of producing those statements.

It is the responsibility of the Minister of Finance and the Financial Secretary to ensure consistency with the requirements of the Ministry of Finance and Economic Management Act 1995/96 and the integrity of the disclosures.

The current Financial Secretary, Garth Henderson, was not responsible for Cook Islands Government's financial statements for the 30 June 2016 financial year.

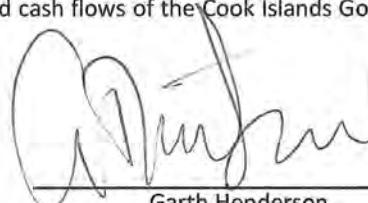
We have taken steps to satisfy ourselves that the financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2016 and are consistent with the requirements of the Ministry of Finance and Economic Management Act 1995/96.

In our opinion, subject to the qualifications included within the Independent Auditors Report, these financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2016.



Hon. Mark Brown
Minister of Finance

20 December 2019



Garth Henderson
Financial Secretary

20 December 2019



Fiscal Overview

At a glance

Summary of the performance of the economy

Nominal GDP grew by 5.7% in the year to reach \$435.9 million. Economic activity was largely the result of tourist arrivals and higher levels of public and private capital investment.

Tourist arrivals have risen by 8.4% reaching a new annual high of 146,473 visitors. New Zealand remains our largest tourist market with 99,490 (68%) of total visitors. Our next largest market is Australia with 23,796 (16%) visitors for the year.

The value of residential and commercial building approvals has been much higher than the prior year. The rise in residential approvals appears to be for holiday houses, rather than residential living, driven by tourism growth. Commercial approvals have been led by a number of large community projects as well as a significant increase in tourist accommodation approvals [1].

Notable large Government capital projects during the year were Te Mato Vai \$89.6 million and the Southern Group Renewable Energy Project \$60.4 million.

Summary of the performance of Government

The Government's fiscal position has continued to strengthen this year with a surplus in the operating balance before gains and losses (OBEGAL), net Crown debt has remained steady as a share of the economy and net worth increased in nominal terms.

- Crown tax revenue was \$21.6 million more than last year and \$12.7 million more than the 2016 Budget Estimates (*page 13*).
- Other sovereign revenue was \$3.7 million less than last year and \$4.4 million less than the 2016 Budget Estimate (*page 14*).
- Other revenue was \$10.7 million less than last year (*page 7*).
- Crown expenses was \$5.6 million higher than last year (*page 8*).
- The OBEGAL surplus of \$28.6 million was \$1.5 million higher than last year (*page 10*).
- The total Crown net surplus was \$36.6 million (*page 10*).
- Gross Crown debt increased nominally by \$1.7 million to \$103.9 million from the prior year, and remained stable as a percentage of GDP at 23.8% (*page 11*).
- Net Crown debt increased in nominal terms by \$1.6 million to \$87.2 million from the prior year, and remained stable as a percentage of GDP at 20% (*page 11*).
- Net worth increased by \$29.5 million to \$292.6 million. This was largely owing to net surplus for the year (*page 12*).

Table 1 - Financial results

Year ended 30 June \$ '000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Taxation revenue	84,718	96,077	99,826	94,075	115,647
Other sovereign revenue	8,839	8,785	9,004	17,252	13,511
Other revenue	71,229	74,316	78,829	92,136	81,431
Expenses	165,300	161,544	175,309	176,329	181,948
OBEGAL (excluding minority interest)	(514)	17,634	12,350	27,134	28,641
Net surplus	(452)	16,844	20,571	20,996	36,553
Net debt	83,563	78,801	71,525	85,581	87,214
<i>as percentage of GDP</i>	23.1%	22.0%	18.8%	20.8%	20.0%
Gross debt	84,678	79,953	87,735	102,222	103,901
<i>as percentage of GDP</i>	23.5%	22.3%	23.0%	24.8%	23.8%
Net worth	215,241	232,085	252,656	263,070	292,611

[1] Source: Cook Islands Government Budget Estimates 2019/20: Section 5: Economic Update



Fiscal Overview (continued)

Year End results compared to Prior Year

Revenue

Total Crown revenue was \$210.6 million, an increase of \$7.1 million (4%) from last year owing to increased Crown taxation \$21.6 million, this was offset by a decrease in Aid revenue of (\$12.9) million.

Table 2 - Breakdown of revenue

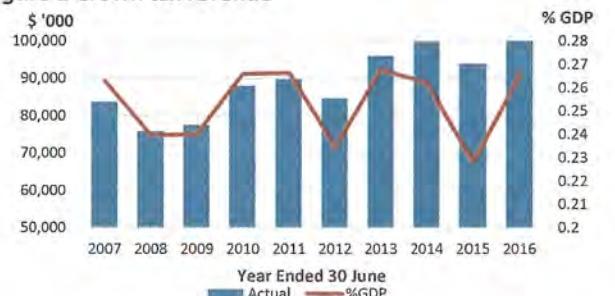
Year ended 30 June \$ '000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Taxation revenue	84,718	96,077	99,826	94,075	115,647
Other sovereign revenue	8,839	8,785	9,004	17,252	13,511
Other revenue	71,229	74,316	78,829	92,136	81,431
Total Crown revenue	164,786	179,178	187,659	203,463	210,589
% of GDP					
Taxation revenue	23.5%	26.8%	26.2%	22.8%	26.5%
Other sovereign revenue	2.4%	2.4%	2.4%	4.2%	3.1%
Other revenue	19.7%	20.7%	20.7%	22.3%	18.7%
Total Crown revenue	45.6%	49.9%	49.3%	49.3%	48.3%

Crown Taxation Revenue

Crown taxation revenue was \$115.6 million, up \$21.6 million (23%) from the year before. The increase in Crown tax revenue was broadly the result of strong economic activity during the year.

Crown taxation revenue as a percentage to GDP increased from 23% in the prior year to 27%. This ratio establishes boundaries on the collection of revenue and ensures that the Crown limits the diversion of resources from the private sector. The benchmark that current and previous Governments have agreed to work within, is to maintain collections to within 25% of GDP.

Figure 1 Crown tax revenue



Most major tax types increased over the year with three tax types making up most of the increase (Table 3). Strong economic activity was largely the result of tourist arrivals, tourist arrivals have risen by 8.4% reaching a new annual high of 146,473 visitors, and higher levels of public and private capital investment. Significant amount of private capital investment for tourist accommodation.

- Individual income tax increased by \$3.9 million (21%). This was the result of strong growth in the economy facilitated by an increase in tourist numbers and residential building approvals for holiday homes. This was offset by the decrease in personal income tax rates and adjustments to the tax income bands effective from 1 January 2016. Refer to Table 4
- Company income tax increased by \$5.6 million (82%), mainly owing to strong growth in the economy facilitated by the increase in tourist numbers and commercial building approvals for tourist accommodation.
- Value added tax (VAT) was \$10.7 million (22%) higher than last year, with most of the growth coming from strong performance of the economy and government policy to increase the rate from 12.5% to 15% effective 1 April 2014.

Table 3 - Decrease in taxation revenue

Year ended 30 June	\$ million
2015 taxation revenue	94.1
Individual income tax	3.9
Company income tax	5.6
Withholding tax	(1.0)
Value added tax	10.7
Customs levies	1.8
Departure tax	0.5
2016 taxation revenue	115.6

Table 4 - Revised income tax bands and rates

2014 & 2015 personal income tax	2016 & 2017 personal income		
Up to \$11,000	Nil	Up to \$11,000	Nil
\$11,000 to \$30,000	18.5%	\$11,000 to \$30,000	17.5%
\$30,000 to \$80,000	27.5%	\$30,000 to \$80,000	27.5%
\$80,000 upwards	30.0%	\$80,000 upwards	0.3

source:<http://www.mfem.gov.ck/rmd-tax/rmd-forms-guides/rmd-tax-return-and-registration>



Fiscal Overview (continued)

Other Sovereign Revenue

Crown other sovereign revenue was \$13.5 million, a decrease of \$3.7 million (-22%) from the previous year. Other sovereign revenue includes fees, fines, levies and licensing (e.g. fishing licenses issued to foreign vessels).

The decrease over the year related predominantly to a decrease of \$3.2 million (-29%) from fisheries licenses issued to foreign fishing vessels and the decrease illegal fishing fines amounting to \$1.2 million.

The decline in fisheries licenses is the result of the decrease in the number of active registered purse seiner vessels and the number of vessel days purchased, vessel day schemes [2], by purse seiners.

Two foreign fishing vessels were caught illegally fishing and using fish aggregation devices within the Cook Islands exclusive economic zone (EEZ). The offences occurred in the 2013 financial year and the \$1.2 million settlement was reached during the 2015 year. There were no foreign fishing vessels caught illegally fishing during the current year.

Other Revenue

Total Crown other revenue was \$81.4 million, a decrease of \$10.7 million (-12%) from the previous year. Other revenue includes revenue from operations of Crown entities and State-owned enterprises (SOEs), interest revenue, rental income and aid revenue.

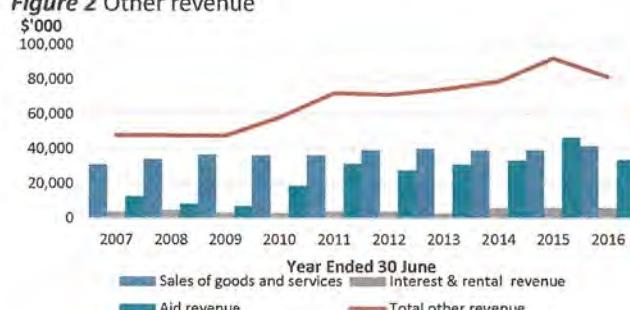
The decrease in other revenue from the prior year was owing to the decrease of \$12.9 million (-28%) in aid revenue. The decrease was the result of donated assets received in the prior year, particularly, Te Kukupa patrol boat refit undertaken by the Australian Government amounting to \$8.6 million and \$9.0 million worth of donated heavy machinery from the Peoples Republic of China.

Table 5 - Number of active fishing vessels

Licensed and active vessels	2014	2015	2016
<i>Offshore fishery</i>			
Long liner	36	38	47
Purse seiner	18	65	33
Other commercial	5	5	10
Total offshore fishery	59	108	90
<i>Local artisanal and game fishery</i>			
	302	301	285

source: Cook Islands Government Budget Estimates 2018/19 Book 1 - Table 6.8
Number of active fishing vessels

Figure 2 Other revenue



[2] Vessel day scheme (VDS) – relates to the number of days the purse seiner vessels have purchased to fish within Cook Islands' EEZ. Purse seiners are charged a daily rate.



Fiscal Overview (continued)

Expenses

Total Crown expenses were \$181.9 million in the current year, \$5.6 million (3%) more than last year. Crown expense as a percentage to GDP slightly decreased from 43% (2015) to 42% in the current year.

Figure 3 Crown expenses

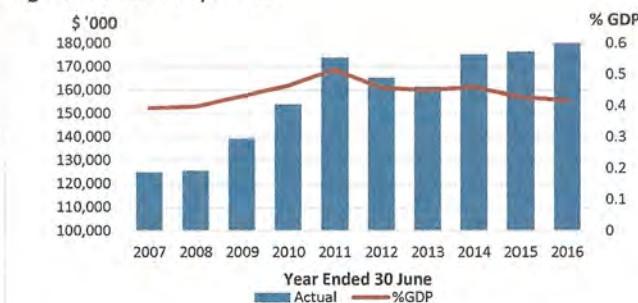


Table 6 - Breakdown of expenses

Year ended 30 June \$ '000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Personnel expense	53,699	53,913	58,378	58,904	60,118
Welfare payments	12,778	13,108	14,348	15,691	15,878
Depreciation	11,879	12,374	10,893	14,247	15,497
Finance cost	3,129	3,159	4,609	4,538	4,765
Air New Zealand underwrite	11,829	9,554	11,102	9,764	5,920
Fuel and oil	13,728	13,267	12,318	10,375	8,092
Repairs and maintenance	3,848	6,985	6,742	5,413	13,804
Tourism marketing	4,497	3,413	4,658	4,745	2,441
Other expense	24,189	16,086	21,028	24,819	24,619
Aid expenses	25,724	29,685	31,233	27,833	30,814
Total Crown expense	165,300	161,544	175,309	176,329	181,948

% of GDP

Personnel expense	14.9%	15.0%	15.3%	14.3%	13.8%
Welfare payments	3.5%	3.7%	3.7%	3.6%	3.6%
Depreciation	3.3%	3.4%	2.9%	3.5%	3.6%
Finance cost	0.9%	0.9%	1.2%	1.1%	1.1%
Air New Zealand underwrite	3.3%	2.7%	2.9%	2.4%	1.4%
Fuel and oil	3.8%	3.7%	3.2%	2.5%	1.9%
Repairs and maintenance	1.1%	1.9%	1.8%	1.3%	3.2%
Tourism marketing	1.2%	1.0%	1.2%	1.2%	0.6%
Other expense	6.7%	4.5%	5.5%	6.0%	5.6%
Aid expenses	7.1%	8.3%	8.2%	6.8%	7.1%
Total Crown expense	45.7%	45.1%	46.0%	42.6%	41.7%



Fiscal Overview (continued)

Personnel expense

Personnel expense was \$60.1 million, an increase of \$1.2 million (2%) from previous year. Personnel expense as a percentage to total revenue (excluding aid revenue) has decreased from 38% to 34%. This ratio is aimed at controlling expansion in the size of the public sector. The benchmark that current and previous Governments agreed to work within is maintaining the expenditure on personnel within 40% of total revenues. Refer to page 50 Note 4: Personnel expense of the Financial Statements for further information.

Table 7 - Movement in Crown expenses

Year ended 30 June	\$ million
2015 Crown expenses	176.3
Personnel expense	1.2
Welfare payments	0.2
Depreciation	1.2
Aid expenses	3.0
Other expenses	-
2016 Crown expenses	181.9

Welfare payments

Welfare payments was \$15.9 million, an increase of \$0.2 million (1%) from previous year. Refer to page 50 Note 5: Welfare payments of the Financial Statements for further information.

Depreciation

Depreciation was \$15.5 million, an increase of \$1.2 million (8%) from previous year. This increase largely related to capital expenditure for the year. Refer to pages 55 - 57 Note 14, 15 & 16: Property, plant and equipment of the Financial Statements for further information.

Air New Zealand underwrite

The Air New Zealand underwrite is to support two non- economical long haul services operated by Air New Zealand from Los Angeles, United States of America and Sydney, Australia. Air New Zealand underwrite was \$5.9 million, a decrease of \$3.8 million (-39%) from previous year.

Table 8 - Visitor arrivals by country

Year ended	Total	New Zealand	Australia	USA	Canada	Europe	Other
2012	116,897	77,595	20,633	4,387	2,066	9,612	2,604
2013	122,569	80,975	21,850	4,846	1,996	9,456	3,446
2014	121,772	82,217	20,627	5,064	1,876	9,313	2,675
2015	135,134	89,910	23,389	5,876	2,062	9,944	3,953
2016	146,473	99,490	23,796	6,192	2,212	10,767	4,016

Aid Expenses

Aid expenses was \$30.8 million, an increase of \$3.0 million (11%) from previous year. Aid expenses is largely dependent on the respective grant funding agreements with respective donors and the timing of aid funded projects. Refer to page 51 Note 8: Aid expenses of the Financial Statements for further information.



Fiscal Overview (continued)

Net Surplus

OBEGAL (Operating Balance before Gains and Losses)

The OBEGAL surplus of \$28.6 million is an improvement of \$1.5 million (6%) from last year. Total Crown revenue was \$210.6 million, an increase of \$7.1 million (4%) from last year. Total Crown expense also increased to \$181.9 million, an increase of \$5.6 million (3%) from last year.

The increase in OBEGAL surplus for the year was largely owing to increased Crown taxation revenue \$21.6 million. This was offset by:

- Decrease in aid revenue of (\$12.9) million and other sovereign revenue (\$3.7) million
- Increase in Aid expenses of \$3 million

Net Surplus

Current year net surplus was \$36.6 million, an increment of \$15.6 million from the past year. The OBEGAL surplus of \$28.6 million was increased further by \$7.9 million. This increase was the result of foreign exchange gains of \$4.9 million for the year and \$3.1 million from the Crowns interest in Telecom Cook Islands.

The Crown's fiscal strategy is to maintain a net surplus balance >\$0, this target ensures that the Government is able to afford operational expenditure required to perform the functions of Government from its own revenue streams.

Foreign exchange gain / (loss)

The Crown reported a foreign exchange gain of \$4.9 million opposed to a foreign exchange loss of \$8.9 million as reported in the prior year. This represents an increase of \$13.8 million from the past year. The Crown is subject to such volatile fluctuations as 70% of total borrowings of \$103.9 million are denominated in foreign currency.

Refer to page 36 Statement of Borrowings – Currency analysis of the Financial Statements for further information.

Minority interest

Share of profit of associate relates to the Crowns interest in Telecom Cook Islands Limited which is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands. The Crown has 40% ownership in Telecom Cook Islands Limited. *Refer to page 53 Note 12: Share of profit of associate of the Financial Statements for further information.*

Table 9 - Total Crown net surplus / (loss)

Year ended 30 June \$ '000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Total Crown OBEGAL	(514)	17,634	12,350	27,134	28,641
Gains, losses and minority interest					
Impairment loss / gain or loss on disposal of assets	(224)	(2,940)	(37)	(3)	(39)
Foreign exchange gain / loss	(1,057)	585	6,940	(8,898)	4,872
Share of profit of associate	1,343	1,565	1,318	2,763	3,079
Total gains, losses and minority interest	62	(790)	8,221	(6,138)	7,912
Total Crown net surplus / loss	(452)	16,844	20,571	20,996	36,553
% of GDP					
Total Crown OBEGAL	-0.1%	4.9%	3.2%	6.6%	6.6%
Total Crown gains and losses	-0.4%	-0.7%	1.8%	-2.2%	1.1%
Total Crown minority interest	0.4%	0.4%	0.3%	0.7%	0.7%
Net surplus	-0.1%	4.7%	5.4%	5.1%	8.4%

Figure 4 Crown revenue and Crown expenses (excluding gains, losses and minority interest)

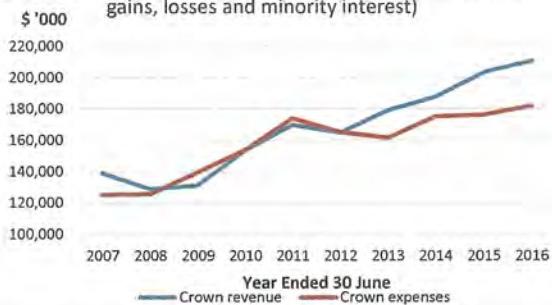
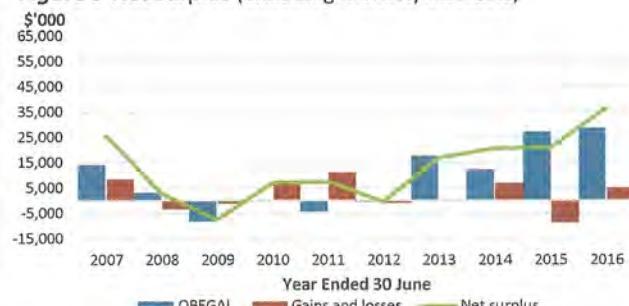


Figure 5 Net surplus (excluding minority interests)



Fiscal Overview (continued)

Debt

Gross Crown debt was \$103.9 million, up \$1.7 million (2%) from year before. The increase was largely the result of the Crown drawing down \$10.5 million, relating to the Te Mato Vai loan with the Chinese Government, this was offset by the \$5.5 million in loan repayments and \$4.0 million foreign exchange gain for the year.

Net Crown debt is made up of gross Crown debt less loan repayment fund [3]. Net Crown debt was \$87.2 million, up \$1.6 million (2%) from year before. Net Crown debt as percentage to GDP remained relatively stable at 20% from the prior year. The Crown's fiscal strategy is to maintain net debt < 35% of GDP. This ensures the level of debt relative to national income, controls the overall level of debt taken on by Government.

Also part of the Crown's fiscal strategy is to maintain debt servicing < 5% of revenue (excluding aid revenue). This ensures the ability of Government to service its debt obligations from revenue collected. Current year net debt servicing percentage was 3% (3%: 2015)

Table 10 - Movement in gross Crown debt

Year ended 30 June	\$ million
2015 gross Crown debt	102.2
Additional loans	11.2
Loan repayments	(5.5)
Foreign exchange (gain) or loss	(4.0)
2016 gross Crown debt	103.9

Figure 6 Net Crown debt

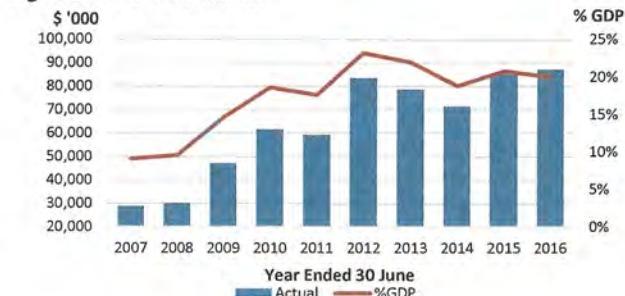


Table 11 - Debt

Year ended 30 June \$'000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Net debt	83,563	78,801	71,525	85,581	87,214
as percentage of GDP	23.1%	22.0%	18.8%	20.8%	20.0%
Gross debt	84,678	79,953	87,735	102,222	103,901
as percentage of GDP	23.5%	22.3%	23.0%	24.8%	23.8%

^[3] Loan repayment fund – included in cash and cash equivalents and term deposits are funds that have been quarantined for the repayment of debt as per the Loan Repayment Fund Act 2014.

Fiscal Overview (continued)

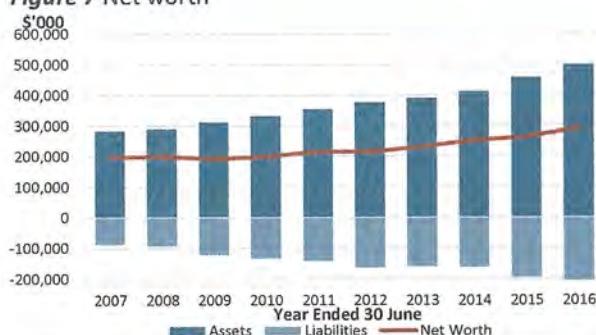
Total Crown Balance Sheet

Net Worth

Net worth is the difference between the Crown's total assets (what the government owns) and liabilities (what the government owes). This difference consists of the accumulation of past net surpluses and deficits (referred to as taxpayers' funds).

Net worth was \$292.6 million at 30 June 2016, an increase of \$29.5 million from a year earlier. This was largely owing to net surplus for the year. As a share of the economy, net worth increased by 3.3% from 63.8% of GDP in 2015 to 67.1% of GDP in the current year.

Figure 7 Net worth



The Crown Balance Sheet

Total Crown assets were \$499.3 million at 30 June 2016, a \$41.3 million increase from last year. This growth was largely in property, plant and equipment (PPE) of \$16.5 million, while financial assets grew by \$27.0 million and other assets decreased by \$2.3 million.

Crown liabilities were \$206.7 million, an increase of \$11.7 million from the previous year. This was largely owing to an increase of \$10.1 million in other liabilities.

Table 12 - Composition of the total Crown balance sheet

Year ended 30 June \$ '000	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Financial assets	129,376	132,517	124,522	144,252	171,295
Loan repayment fund	1,115	1,152	16,210	16,641	16,687
Property, plant and equipment	209,726	219,933	231,069	261,546	278,032
Other assets	37,014	37,603	41,600	35,575	33,280
Total assets	377,231	391,205	413,401	458,014	499,294
 Borrowings	 84,678	 79,953	 87,735	 102,222	 103,901
Other liabilities	77,312	79,167	73,010	92,722	102,782
Total liabilities	161,990	159,120	160,745	194,944	206,683
 Net worth	 215,241	 232,085	 252,656	 263,070	 292,611

Financial assets

Financial assets at \$171.3 million was \$27.0 million higher than last year. The increase was largely the result of \$9.6 million increase in banking portfolio investments held by the Bank of the Cook Islands and a general increase in the Crowns cash reserves of \$16.0 million.

Property, plant and equipment (PPE)

The \$16.5 million increase in PPE was largely relating to \$6.0 million in work in progress relating to Te Mato Vai Stage 1 project and the general procurement of PPE during the year by all Government segments.

Other Liabilities

Other liabilities of \$102.8 million was \$10.1 million higher than last year. The increase was largely the result of \$18.1 million increase in banking customer deposits held by the Bank of the Cook Islands and \$5.7 million increase in funds held in trust for aid projects. This was offset by a \$12.5 million dollar decrease in other payables.



Fiscal Overview (continued)

Year End results compared to Budget 2016

The Cook Islands Government Budget Estimates 2015/16 was published on 15 June 2015. These financial statements of the Cook Islands Government comprises of the following segments [4]:

Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

State owned enterprise operations are not included in the preparation of the Government Budget Estimates. The analysis below is actual performance of the Crown parent and Crown entities against the Budget.

Table 13 - Comparison to the Budget 2016

Year ended 30 June \$ '000	Financial Statement Note Reference	Actual 2016	Budget 2016	Variance \$	Variance %
Crown taxation revenue	1	115,647	102,914	12,733	12%
Crown other sovereign revenue	2	13,511	17,932	(4,421)	-25%
Sales of goods and services	3	8,671	5,720	2,951	52%
Interest revenue		2,518	1,885	633	34%
Aid revenue	8	33,839	49,115	(15,276)	-31%
Total revenue		174,186	177,566	(3,380)	-2%
Personnel expense	4	50,701	50,361	340	1%
Welfare payments	5	15,878	16,798	(920)	-5%
Finance cost	6	2,571	2,285	286	13%
Depreciation and amortisation	14, 15 & 16	15,497	9,147	6,350	69%
Aid expenses	8	33,839	49,115	(15,276)	-31%
Payments on behalf of the Crown	7	10,599	35,976	(25,377)	-71%
Other expense		18,712	18,535	177	1%
Total expense		147,797	182,217	(34,420)	-19%
Operating balance before gains and losses (OBEGAL)		26,389	(4,651)	31,040	-667%

Crown Taxation Revenue

Crown taxation revenue was \$12.7 million (12%) more than expected in Budget 2016, all major tax types were over budget (Table 14). Strong economic activity was largely the result of tourist arrivals, tourist arrivals have risen by 8.4% reaching a new annual high of 146,473 visitors, and higher levels of public and private capital investment. Significant amount of private capital investment being for tourist accommodation. The largest differences being as follows:

- Company income tax was \$1.7 million (16%) above budget, mainly owing to strong growth in the economy facilitated by the increase in tourist numbers and commercial building approvals for tourist accommodation.
- Value added tax (VAT) was \$7.7 million (15%) above budget, with most of the growth coming from strong performance of the economy and government policy to increase the rate from 12.5% to 15% effective 1 April 2014.
- Withholding tax was not budgeted for during the year.

Table 14 - Taxation revenue compared to budget

Year ended 30 June	\$ million
2016 budget taxation revenue	102.9
Individual income tax	0.8
Company income tax	1.7
Withholding tax	1.2
Value added tax	7.7
Customs levies	0.4
Departure tax	0.9
2016 taxation revenue	115.6

¹⁴⁾ Refer to page 23 Schedule of Government entities for a detailed listing of all entities per segment



Fiscal Overview (continued)

Crown Other Sovereign Revenue

Crown other sovereign revenue was \$4.4 million (-25%) less than expected in Budget 2016, this shortfall was the result of different budgeting and accounting treatments of the budgeted \$3.1 million of sale of circulating currency Cook Islands coins. The 2017 Budget has classified this as Revenue on behalf of the Crown (ROBOC [5]), within the financial statements this has not been treated as revenue.

Aid Revenue and Expenses

Aid revenue was \$15.3 million (-31%) less than expected in 2016 Budget, the shortfall over the year related predominantly to aid funded projects by China and the European Union not being fully implemented or started during the year. The notable projects were:

- \$4.5 million European Union Renewable Energy Grant for the southern Cook Islands
- \$2.2 million European Union budget support
- \$5.4 million budgeted for the Apia Nikao School rebuild project funded by China. Construction commenced in May 2017.
Refer to page 62 Note 24: Subsequent events for further information.

Payments on Behalf of the Crown (POBOC) [6]

POBOC was \$25.4 million (-71%) less than expected in Budget 2016, with the largest differences being as follows:

- Air New Zealand underwrote was \$6.1 million (-51%) below forecast. This is the result of more tourist travelling to the Cook Islands via Los Angeles and Sydney direct flights than originally budgeted for. *Refer to Table 8 – Visitor arrivals by country.*
- Tourism marketing was \$5.0 million (-98%) below budget, this shortfall was the result of this expenditure being funded by the Performance Based Budget Support – Core Funding from New Zealand Aid. This expenditure has been recorded as Aid expense rather than POBOC.
- During the year, negative \$9.3 million of unsubstantiated consolidated eliminating entries was passed by the Crown through the Statement of Financial Performance. The Crown was unable to substantiate these posting errors .

[5] ROBOC is receipts received directly by the Crown from third party individuals or entities

[6] POBOC is payments made by the Crown directly to third party suppliers



Fiscal Overview (continued)

Historical Financial Information

Historical Financial Information	Year ended 30 June \$ '000	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Statement of financial performance											
Taxation revenue	83,813	75,823	77,591	88,088	89,878	84,718	96,077	99,826	94,075	115,647	
Fees, fines, penalties and licenses	1,832	2,212	2,531	2,739	2,517	2,600	2,598	2,698	4,269	2,970	
Fisheries licenses	119	595	1,572	2,844	3,528	4,363	4,877	5,503	10,887	7,714	
Other Crown revenue	5,520	2,668	1,967	1,815	1,727	1,876	1,310	803	2,096	2,827	
Total sovereign revenue	91,284	81,298	83,661	95,486	97,650	93,557	104,862	108,830	111,327	129,158	
Sales of goods and services	31,079	34,260	36,806	36,084	36,287	39,381	40,049	39,257	39,402	41,659	
Interest revenue	4,045	4,963	3,516	3,164	4,249	4,027	3,151	3,349	3,169	3,047	
Rental revenue	-	-	-	-	-	-	-	2,764	2,868	2,886	
Aid revenue	12,810	8,406	7,235	18,722	31,578	27,821	31,116	33,459	46,697	33,839	
Total Crown revenue	139,218	128,927	131,218	153,456	169,764	164,786	179,178	187,659	203,463	210,589	
Personnel expense	45,855	48,829	50,430	50,397	52,319	53,699	53,913	58,378	58,904	60,118	
Welfare payments	8,797	8,948	10,815	12,268	12,305	12,778	13,108	14,348	15,691	15,878	
Depreciation	10,147	10,619	10,367	10,318	12,045	11,879	12,374	10,893	14,247	15,497	
Finance cost	1,710	2,043	2,497	3,431	3,459	3,129	3,159	4,609	4,538	4,765	
Air New Zealand underwrite	-	3,036	2,982	1,912	4,486	11,829	9,554	11,102	9,764	5,920	
Fuel and oil	-	-	14,681	11,751	12,456	13,728	13,267	12,318	10,375	8,092	
Repairs and maintenance	-	-	6,492	5,093	6,635	3,848	6,985	6,742	5,413	13,804	
Tourism marketing	-	-	2,397	3,276	4,728	4,497	3,413	4,658	4,745	2,441	
Other expense	50,815	44,838	32,808	39,053	36,406	24,189	16,086	21,028	24,819	24,619	
Aid expenses	7,731	7,430	5,918	16,424	29,191	25,724	29,685	31,233	27,833	30,814	
Total Crown expense	125,055	125,743	139,387	153,923	174,030	165,300	161,544	175,309	176,329	181,948	
Operating balance excluding gains and losses (OBEGAL) (excluding minority interest)											
14,163	3,184	(8,169)		(467)	(4,266)	(514)	17,634	12,350	27,134	28,641	
Impairment loss / gain or loss on disposal of assets	-	-	(490)	(370)	(695)	(224)	(2,940)	(37)	(3)	(39)	
Foreign exchange gain / loss	8,491	(3,445)	(1,252)	6,355	11,176	(1,057)	585	6,940	(8,898)	4,872	
Share of profit of associate	2,772	3,008	2,458	1,543	1,237	1,343	1,565	1,318	2,763	3,079	
Net surplus	25,426	2,747	(7,453)	7,061	7,452	(452)	16,844	20,571	20,996	36,553	
Statement of financial position											
Property, plant and equipment	159,832	158,182	181,369	188,242	192,093	209,726	219,933	231,069	261,546	278,032	
Financial assets	80,148	90,362	84,739	103,013	116,949	129,376	132,517	124,522	144,252	171,295	
Loan repayment fund	17,458	18,551	20,934	16,261	11,639	1,115	1,152	16,210	16,641	16,687	
Other assets	26,544	23,590	25,617	24,702	35,222	37,014	37,603	41,600	35,575	33,280	
Total assets	283,982	290,685	312,659	332,218	355,903	377,231	391,205	413,401	458,014	499,294	
Borrowings	46,247	48,760	68,127	77,906	70,998	84,678	79,953	87,735	102,222	103,901	
Other liabilities	40,751	42,194	52,252	54,973	69,270	77,312	79,167	73,010	92,722	102,782	
Total liabilities	86,998	90,954	120,379	132,879	140,268	161,990	159,120	160,745	194,944	206,683	
Net worth	196,984	199,731	192,280	199,339	215,635	215,241	232,085	252,656	263,070	292,611	
Debt indicators											
Borrowings less loan repayment fund	28,789	30,209	47,193	61,645	59,359	83,563	78,801	71,525	85,581	87,214	
Net debt percentage of GDP	9.0%	9.6%	14.6%	18.6%	17.6%	23.1%	22.0%	18.8%	20.8%	20.0%	
Nominal Gross Domestic Product (GDP)											
Nominal GDP	318,659	316,180	323,306	331,420	337,405	360,990	358,846	380,818	412,297	435,948	
Annual GDP growth rates	15.4%	-0.8%	2.3%	2.5%	1.8%	7.0%	-0.6%	6.1%	8.3%	5.7%	
source: http://www.mfem.gov.ck/statistics/economic-statistics/national-accounts											
Visitor arrivals											
Number of visitors	96,499	96,186	96,930	100,319	108,750	116,897	122,569	121,772	135,134	146,473	
Annual growth rate in visitor numbers	7.5%	-0.3%	0.8%	3.5%	8.4%	7.5%	4.9%	-1.0%	11.0%	8.4%	
source: Ministry of Finance and Economic Management - Cook Islands Statistical Bulletin June 2019											



Fiscal Overview (continued)

Historical Financial Information

Year ended 30 June as % of GDP	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016
Statement of financial performance										
Taxation revenue	26.3%	24.0%	24.0%	26.6%	26.6%	23.5%	26.8%	26.2%	22.8%	26.5%
Fees, fines, penalties and licenses	0.6%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	1.0%	0.7%
Fisheries licenses	0.0%	0.2%	0.5%	0.9%	1.0%	1.2%	1.4%	1.4%	2.6%	1.8%
Other Crown revenue	1.7%	0.8%	0.6%	0.5%	0.5%	0.5%	0.4%	0.2%	0.5%	0.6%
Total sovereign revenue	28.6%	25.7%	25.9%	28.8%	28.9%	25.9%	29.2%	28.6%	27.0%	29.6%
Sales of goods and services	9.8%	10.8%	11.4%	10.9%	10.8%	10.9%	11.2%	10.3%	9.6%	9.6%
Interest revenue	1.3%	1.6%	1.1%	1.0%	1.3%	1.1%	0.9%	0.9%	0.8%	0.7%
Rental revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.7%
Aid revenue	4.0%	2.7%	2.2%	5.6%	9.4%	7.7%	8.7%	8.8%	11.3%	7.8%
Total Crown revenue	43.7%	40.8%	40.6%	46.3%	50.3%	45.6%	49.9%	49.3%	49.3%	48.3%
Personnel expense	14.4%	15.4%	15.6%	15.2%	15.5%	14.9%	15.0%	15.3%	14.3%	13.8%
Welfare payments	2.8%	2.8%	3.3%	3.7%	3.6%	3.5%	3.7%	3.8%	3.8%	3.6%
Depreciation	3.2%	3.4%	3.2%	3.1%	3.6%	3.3%	3.4%	2.9%	3.5%	3.6%
Finance cost	0.5%	0.6%	0.8%	1.0%	1.0%	0.9%	0.9%	1.2%	1.1%	1.1%
Air New Zealand underwrite	0.0%	1.0%	0.9%	0.6%	1.3%	3.3%	2.7%	2.9%	2.4%	1.4%
Fuel and oil	0.0%	0.0%	4.5%	3.5%	3.7%	3.8%	3.7%	3.2%	2.5%	1.9%
Repairs and maintenance	0.0%	0.0%	2.0%	1.5%	2.0%	1.1%	1.9%	1.8%	1.3%	3.2%
Tourism marketing	0.0%	0.0%	0.7%	1.0%	1.4%	1.2%	1.0%	1.2%	1.2%	0.6%
Other expense	15.9%	14.2%	10.1%	11.8%	10.8%	6.7%	4.5%	5.5%	6.0%	5.6%
Aid expenses	2.4%	2.3%	1.8%	5.0%	8.7%	7.1%	8.3%	8.2%	6.8%	7.1%
Total Crown expense	39.2%	39.8%	43.1%	46.4%	51.6%	45.8%	45.0%	46.0%	42.8%	41.7%
Operating balance excluding gains and losses (OBEGAL) (excluding minority interest)										
	4.4%	1.0%	-2.5%	-0.1%	-1.3%	-0.1%	4.9%	3.2%	6.6%	6.6%
Impairment loss / gain or loss on disposal of assets										
	0.0%	0.0%	-0.2%	-0.1%	-0.2%	-0.1%	-0.8%	0.0%	0.0%	0.0%
Foreign exchange gain / loss	2.7%	-1.1%	-0.4%	1.9%	3.3%	-0.3%	0.2%	1.8%	-2.2%	1.1%
Share of profit of associate	0.9%	1.0%	0.8%	0.5%	0.4%	0.4%	0.4%	0.3%	0.7%	0.7%
Net surplus	8.0%	0.9%	-2.3%	2.1%	2.2%	-0.1%	4.7%	5.4%	5.1%	8.4%
Statement of financial performance										
Property, plant and equipment	50.2%	50.0%	56.1%	56.8%	56.9%	58.1%	61.3%	60.7%	63.4%	63.8%
Financial assets	25.2%	28.6%	26.2%	31.1%	34.7%	35.8%	36.9%	32.7%	35.0%	39.3%
Loan repayment fund	5.5%	5.9%	6.5%	4.9%	3.4%	0.3%	0.3%	4.3%	4.0%	3.8%
Other assets	8.3%	7.5%	7.9%	7.5%	10.4%	10.3%	10.5%	10.9%	8.6%	7.6%
Total assets	89.1%	91.9%	96.7%	100.2%	105.5%	104.5%	109.0%	108.6%	111.1%	114.5%
Borrowings	14.5%	15.4%	21.1%	23.5%	21.0%	23.5%	22.3%	23.0%	24.8%	23.8%
Other liabilities	12.8%	13.3%	16.2%	16.6%	20.5%	21.4%	22.1%	19.2%	22.5%	23.6%
Total liabilities	27.3%	28.8%	37.2%	40.1%	41.6%	44.9%	44.3%	42.2%	47.3%	47.4%
Net worth	61.8%	63.2%	59.5%	60.1%	63.9%	59.6%	64.7%	66.3%	63.8%	67.1%
Debt indicators										
Net debt	9.0%	9.6%	14.6%	18.6%	17.6%	23.1%	22.0%	18.8%	20.8%	20.0%
Gross debt	14.5%	15.4%	21.1%	23.5%	21.0%	23.5%	22.3%	23.0%	24.8%	23.8%
Nominal Gross Domestic Product (GDP)										
Nominal GDP	318,659	316,180	323,306	331,420	337,405	360,990	358,846	380,818	412,297	435,948
Annual GDP growth rates	15.4%	-0.8%	2.3%	2.5%	1.8%	7.0%	-0.6%	6.1%	8.3%	5.7%





Independent Audit Report of the Director of Audit



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TO THE READERS OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE COOK ISLANDS FOR THE YEAR ENDED 30 JUNE 2016

Opinion

I have audited the financial statements of the Government of the Cook Islands (the financial statements of the Government) for the year ended 30 June 2016 using my staff, resources, and appointed auditors and their staff. The financial statements of the Government on pages 23 to 63 comprise:

The annual financial statements include the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in equity, and statement of cash flows for the year ended on that date, statement of segments, statement of borrowings, statement of commitments, statement of contingent liabilities, notes to the financial statements that include accounting policies and other explanatory information.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of my report, the financial statements of the Government on pages 23 to 63:

- i. present fairly in all material respects, the Government's:
 - a. financial position as at 30 June 2016; and
 - b. financial performance for the year ended on that date;
- ii. comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Management Act 1995-96 and International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

My audit was completed 20 December 2019. This is the date on which my opinion is expressed.

The basis for my opinion is explained below. I outline the responsibilities of the Ministry of Finance and the Minister of Finance and my responsibilities for the financial statements of the Government. I also comment on other information and explain my independence.

Basis for qualified opinion

I have identified seven matters affecting my opinion, which are outlined below.

1. *I was unable to confirm property, plant and equipment of \$122.8 million and infrastructure assets of \$148.1 million*

The Government could not provide enough evidence to confirm that the values recorded against property, plant and equipment and infrastructure assets in the statement of financial position, and the related elements included in the statement of financial performance, statement of changes in equity, and statement of cash flows were fairly presented. Therefore, I could not determine whether these statements comply with generally accepted accounting practice.



The Government has not kept appropriate records and does not have strong enough internal controls to record all of the assets it owns, including those received from donor partners.

Also, certain buildings and infrastructure assets, such as roads and water, which have been recognised by the Government have not been recorded by significant components. There is an accounting standard, IPSAS 17 - Property Plant and Equipment, which requires the assets to be recorded separately. The assets need to be recorded separately because they need to be managed differently.

The Government has also not assessed whether any of the property, plant and equipment and infrastructure assets are impaired, as required by IPSAS 21 - Impairment of Non-Cash-Generating Assets. This assessment is important to ensure that the value of the assets are not overstated at year end.

2. *I was unable to confirm taxation revenue of \$115.6 million and tax receivables of \$8.9 million*

My Office was not given access to the underlying tax records to assess whether tax revenue has been appropriately recorded. As a result, I cannot confirm that taxation revenue and tax receivables were fairly presented and comply with generally accepted accounting practice.

Also, the Government did not assess whether tax receivables were complete and reasonable at year end, including amounts owing from provisional taxpayers who have not yet filed their final tax return. The Government also did not assess whether any of the expected tax receivables might not eventuate at balance date (called impairment), as required by IPSAS 29 - Financial Instruments: Recognition and Measurement.

3. *I disagreed with how the Government has prepared its consolidated financial statements*

When the Government consolidated the activities of its subsidiaries it did not eliminate all of its inter-Government transactions. As a result, the Government's consolidated financial statements overstate its consolidated expenditure by \$7.7 million and include \$17.0 million that has been incorrectly categorised as other expenses.

The Government has recorded a number of transactions in its financial statements to correct prior year errors, which it has recognised through an "unexplained movements from prior years" equity account. This is a departure from IPSAS 3 – Accounting Policies, Estimates and Errors. The Government should instead have corrected these significant prior period errors by retrospectively correcting the comparative information in the financial statements.

4. *I was unable to confirm lease commitments*

I was unable to obtain sufficient audit evidence to confirm that the Government's disclosure of lease commitments is complete. This is because the Cook Islands Government Property Corporation, a subsidiary of the Government, has incomplete records about its future commitments on its land leases. This is a departure from IPSAS 13 - Leases, which requires full disclosure of all current and non-current lease commitments.

5. *I disagreed with how low interest concessionary loans had been accounted for*

The Government has departed from the requirements of IPSAS 29 - Financial Instruments: Recognition and Measurement because it has not recorded all of its low-interest concessionary loans, made over the last 40 years, at their fair value. As a result, the Government's borrowings that have been recorded in the statement of financial position and the statement of borrowings are overstated. Without proper records, I cannot determine to what extent the borrowings are overstated.



6. I disagreed with how financial instruments had been disclosed

The Government has departed from the requirements of IPSAS 30 - Financial Instruments: Disclosure because it has not disclosed the nature, extent, and how it manages market risks in respect of its financial instruments. The Government holds a number of financial instruments, including financial assets of \$188.0 million and financial liabilities of \$206.7 million, which could expose the Government to foreign currency, credit, interest rate, liquidity and market risks.

7. I disagreed with the presentation of key assumptions, estimates and judgements that were used to prepare the financial statements

The Government has departed from the requirements of IPSAS 1 - Presentation of Financial Statements because it has not disclosed its key assumptions, estimates and judgements that it used to prepare its financial statements. Not including the information makes it difficult for a reader to assess whether the key assumptions, estimates and judgements that the Government has used is reasonable.

I carried out my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), which incorporate ISSAI 30 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements of the Government* section of this report.

I have fulfilled my responsibilities in accordance with ISSAI.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the Financial Secretary and the Minister of Finance for the financial statements of Government

The Financial Secretary is responsible for preparing financial statements of the Government that:

- comply with generally accepted accounting practice in the Cook Islands, in accordance with IPSAS;
- present fairly the Government's financial position, financial performance, and cash flows; and
- present fairly the Government's borrowings

The Minister of Finance is responsible for forming an opinion that the financial statements of the Government present fairly the financial position and financial performance of the Government.

The responsibilities of the Financial Secretary and the Minister of Finance arise from the Ministry of Finance and Economic Management Act 1995-96.

The Financial Secretary is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements of the Government that are free from material misstatement, whether due to fraud or error. The Financial Secretary is also responsible for publishing the financial statements of the Government, whether in printed or electronic form.

In carrying out their respective responsibilities for the financial statements of the Government, the Financial Secretary and the Minister of Finance are responsible for assessing the Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.



Auditor's responsibilities for the audit of the financial statements of Government

My objectives are to obtain reasonable assurance about whether the financial statements of the Government as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions readers make based on the financial statements of the Government.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements of the Government, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control used by the Financial Secretary to prepare the financial statements of the Government.
- I evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the Financial Secretary.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Financial Secretary to prepare the financial statements of the Government, up to the date of my auditor's report, based on the audit evidence I have obtained.
- I evaluate the overall presentation, structure, and content of the financial statements of the Government, including the disclosures, and whether the financial statements of the Government represent the underlying transactions and events in a manner that achieves fair presentation.

As part of my audit, I obtain information from my staff and appointed auditors of the entities that are consolidated into the financial statements of the Government, including information about:

- elimination of transactions between the entities that are consolidated into the financial statements of the Government;
- application by those entities of appropriate accounting policies and instructions to prepare the financial statements of the Government; and
- the risks of material misstatement of the financial statements of those entities that may affect the financial statements of the Government.

I communicate with the Financial Secretary, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I am responsible for expressing an independent opinion on the financial statements of the Government and reporting that opinion to you based on my audit. My responsibility arises from the Public Expenditure Review Committee and Audit Act 1995-96.



Other information

The Financial Secretary is responsible for the other information. The other information comprises the information included on pages 1 to 63, but does not include the annual financial statements of the Government and my auditor's report thereon.

My opinion on the financial statements of the Government does not cover the other information and I do not express any form of audit opinion or assurance conclusion on that information.

In connection with my audit of the financial statements of the Government, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the financial statements of the Government or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independence

While carrying out this audit, my staff and appointed auditors and their staff complied with the ISSAI 30 Code of Ethics or the independence requirements of Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

As an Officer of Parliament, I am constitutionally independent of the Government.

AParker

Allen Parker

Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands



Schedule of Government entities
For the year ended 30 June 2016

These financial statements are for the Government of the Cook Islands as defined in the Ministry of Finance and Economic Management Act 1995/96. This comprises of the following segments;

Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

Below is the listing of each individual entity that has been consolidated to prepare the financial statements of the whole of the Cook Islands Government:

Crown entities (45)

Ministries (12)

- 1 Infrastructure Cook Islands
- 2 Ministry of Agriculture
- 3 Ministry of Cultural Development
- 4 Ministry of Education
- 5 Ministry of Finance and Economic Management
- 6 Ministry of Foreign Affairs & Immigration
- 7 Ministry of Health
- 8 Ministry of Internal Affairs and Social Services
- 9 Ministry of Justice
- 10 Ministry of Marine Resources
- 11 Ministry of Police
- 12 Ministry of Transport

Crown agencies and offices (15)

- 24 Business Trade and Investment Board
- 25 Cook Islands Pearl Authority
- 26 Cook Islands Tourism and Marketing Corporation
- 27 Cook Islands Seabed Mineral Authority
- 28 Crown Law Office
- 29 Development Coordination Division
- 30 Financial Services Development Authority
- 31 Financial Supervisory Commission
- 32 Head of State
- 33 National Environment Service
- 34 Office of the Public Expenditure Review Committee and Audit
- 35 Office of the Public Service Commissioner
- 36 Office of the Ombudsman
- 37 Office of the Prime Minister
- 38 Parliament of the Cook Islands

State owned enterprises (13)

- 1 Cook Islands Investment Corporation

Subsidiaries of Cook Islands Investment Corporation (CIIC)

- 2 Ports Authority
- 3 Te Aponga Uira O Tumu Te Varovaro
- 4 Airport Authority
- 5 Cook Islands Broadcasting Corporation
- 6 CIIC Seabed Resources Limited
- 7 Cook Islands Government Property Corporation

Subsidiaries of Cook Islands Government Property Corporation

- 8 Banana Court Co Limited
- 9 Cook Islands Property Corporation
- 10 Bank of the Cook Islands Limited
- 11 Suwarro Development Corporation
- 12 Development Finance limited
- 13 Cook Islands Telecommunication Holdings Limited

Island administrations (11)

- 13 Atiu Island Administration
- 14 Aitutaki Island Administration
- 15 Aitutaki Power Supply
- 16 Mangaia Island Administration
- 17 Manihiki Island Administration
- 18 Mauke Island Administration
- 19 Mitiaro Island Administration
- 20 Palmerston Island Administration
- 21 Penrhyn Island Administration
- 22 Pukapuka Nassau Island Administration
- 23 Rakahanga Island Administration

Ministerial support (7)

- 39 Prime Minister's Support Office
- 40 Office of the Deputy Prime Minister
- 41 Office of the Leader of Opposition
- 42 Minister M.Brown's Support Office
- 43 Minister T.Heather's Support Office
- 44 Minister N.Glassie's Support Office
- 45 Minister T.Bishop's Support Office

Statement of Financial Performance
For the year ended 30 June 2016
In New Zealand Dollars

	Note	2016 \$000	2015 \$000
Revenue			
Taxation revenue	1	115,647	94,075
Other sovereign revenue	2	13,511	17,252
Total sovereign revenue		129,158	111,327
Sales of goods and services	3	41,659	39,402
Interest revenue		3,047	3,169
Rental revenue		2,886	2,868
Aid revenue	8	33,839	46,697
Total revenue earned through operations		81,431	92,136
Total revenue (excluding gains and minority interest)		210,589	203,463
Expenses			
Personnel expense	4	60,118	58,904
Welfare payments	5	15,878	15,691
Audit Fees		373	401
Changes in provision for doubtful debts	11	1,701	977
Depreciation and amortisation	14, 15, 16 & 17	15,497	14,324
Finance costs	6	4,765	4,538
Aid expenses	8	30,814	27,833
Other expenses	7	52,802	53,661
Total expenses (excluding losses)		181,948	176,329
Operating balance before gains and losses (OBEGAL) & minority interest		28,641	27,134
Other gains / (losses) and minority interest			
Gain / (loss) on disposal of assets		(39)	(3)
Foreign exchange gain / (loss)		4,872	(8,898)
Share of profit of associate	12	3,079	2,763
Total other gains / (losses) and minority interest		7,912	(6,138)
Net surplus		36,553	20,996

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Financial Position
For the year ended 30 June 2016
In New Zealand Dollars

	Note	2016 \$000	2015 \$000
Assets			
Current assets			
Cash and cash equivalents	9	38,807	51,252
Term deposits	9	53,985	33,305
Trust accounts	20	21,325	13,550
Inventory	10	9,062	8,560
Debtors and other receivables	11	24,218	26,165
Banking portfolio investments	13	8,633	7,987
Total current assets		156,030	140,819
Non-current assets			
Investments in shares and associate	12	8,692	7,213
Banking portfolio investments	13	56,540	47,580
Investment Assets	17	5,711	5,918
Property, plant and equipment	14	122,803	137,951
Intangible assets	16	1,446	1,148
Infrastructural assets	15	148,072	117,377
Total non-current assets		343,264	317,187
Total assets		499,294	458,006
Liabilities			
Current liabilities			
Creditors and other payables	19	16,541	29,058
Employee entitlements	20	3,536	4,762
Trustee liabilities	21	27,937	22,274
Banking customer deposits	22	52,578	33,663
Current borrowings	Borrowings	6,040	5,436
Total current liabilities		106,632	95,193
Non-current liabilities			
Banking customer deposits	22	2,190	2,957
Non-current borrowings	Borrowings	97,861	96,786
Total non-current liabilities		100,051	99,743
Total liabilities		206,683	194,936
Net assets		292,611	263,070
Equity			
Capital contributions and retained earnings		292,611	263,070
Total equity		292,611	263,070

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Changes in Equity
For the year ended 30 June 2016
In New Zealand Dollars

	General reserves \$000	Taxpayers funds \$000	Total equity \$000
Net worth at 30 June 2014	1,956	250,700	252,656
Unexplained movements from prior years *	-	(10,582)	(10,582)
Net surplus / (deficit) for the year	-	20,996	20,996
Net worth at 30 June 2015	1,956	261,114	263,070
Unexplained movements from prior years *	-	(7,012)	(7,012)
Net surplus / (deficit) for the year	-	36,553	36,553
Net worth at 30 June 2016	1,956	290,655	292,611

*Unexplained movements from prior years are transactions and/or adjustments that the Crown is unable to confirm the accuracy and composition. The transactions and/or adjustments predominantly relate to property, plant and equipment and other expenses.

Due to the above limitation, the audit report of these financial statements is qualified in this regard.

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Cash Flows
For the year ended 30 June 2016
In New Zealand Dollars

	2016 \$000	2015 \$000
Cash Flows From Operating Activities		
Cash was provided from:		
Taxation receipts	115,267	102,697
Other sovereign receipts	5,259	8,916
Sales of goods and services	38,781	36,871
Net Aid receipt	3,025	18,864
Cash receipts from associates	3,815	3,156
Total cash provided from operations	166,147	170,504
Cash was disbursed to:		
Social welfare benefits and education grant payments	15,878	15,691
Personnel payments	61,344	63,552
Banking portfolio investment payments	9,606	12,092
Supplier payments	66,642	46,426
Realised foreign exchange movements	(853)	(2,589)
Total cash disbursed to operations	152,617	135,172
Net cash flows from operations	13,530	35,332
Cash Flows From Investing Activities		
Cash was provided from:		
Sale of property, plant and equipment	16,896	16,474
Gain on investments	-	-
Interest received from investments	3,090	3,169
Total cash provided from investing activities	19,986	19,643
Cash was disbursed to:		
Purchase of property, plant and equipment	28,921	34,817
Purchase of infrastructure	23,868	27,663
Purchase of intangible assets	811	623
Net change in investments value	14,166	(16,970)
Net increase in trustee accounts	2,112	(1,863)
Total cash disbursed to investing activities	69,878	44,270
Net cash flows from investing activities	(49,892)	(24,627)
Cash Flows From Financing Activities		
Cash was provided from:		
Drawdown of borrowings	11,167	5,270
Client deposit accounts held	18,148	8,547
Customs bonds received	71	28
Total cash provided from financing activities	29,386	13,845
Cash was disbursed to:		
Loan repayments (foreign-sourced borrowings)	5,469	2,273
Total cash disbursed to financing activities	5,469	2,273
Net cash flows from financing activities	23,917	11,572
Net movement in cash	(12,445)	22,276
Opening cash balance	51,252	28,976
Closing cash and cash equivalents balance	38,807	51,252

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Cash Flows (continued)

For the year ended 30 June 2016

In New Zealand Dollars

	2016 \$000	2015 \$000
Reconciliation between the Operating Balance and the Net Cash Flows from Operations		
Comprehensive revenue and expenses for the year	36,553	20,996
Add / (less) non cash items		
Depreciation and amortisation	15,497	14,324
Change in provision for doubtful debts	(823)	841
Impairment on property, plant and equipment	-	-
Unrealised foreign exchange movement	4,019	(11,487)
Prior year adjustment	(39,838)	(7,741)
Total non cash items	(21,145)	(4,063)
Add / (less) movements in working capital		
(increase)/ decrease in taxes receivable	1,583	7,673
(increase)/ decrease in accounts receivable	-	-
(increase)/ decrease in dividend receivable	736	393
(increase)/ decrease in interest receivable	-	-
(increase)/ decrease in prepayments	1,585	(621)
(increase)/ decrease in inventory	(502)	(179)
(increase)/ decrease in other current assets	-	-
(increase)/ decrease in other receivables	(1,177)	(1,554)
(increase)/ decrease in trustee accounts	(1,312)	(1,312)
increase/ (decrease) in amounts due to employees	(1,226)	(4,648)
increase/ (decrease) in interest accrued	-	-
increase/ (decrease) in tax refund liability	1,140	(109)
increase/ (decrease) in customer deposits	18,148	8,547
increase/ (decrease) in banking portfolio investments	(9,606)	(12,092)
increase/ (decrease) in creditors	(10,546)	9,981
increase/ (decrease) in investments in shares and associates	(1,479)	(1,155)
increase/ (decrease) in provision for legal settlement TOA	(901)	(1,009)
increase/ (decrease) in foreign borrowings	1,679	14,484
Total movement in working capital	(1,878)	18,399
Net cash inflows/(outflows) from operating activities	13,530	35,332

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Segments
For the year ended 30 June 2016
In New Zealand Dollars

	Crown Parent			Crown Entities			Current Year Actual vs Prior Year Actual			State Owned Enterprises			Inter-Segment Elimination			Whole of Government		
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	
Revenue																		
Taxation revenue	118,169	96,156	-	-	-	-	-	-	(2,532)	(2,081)	115,647	94,075	-	-	-	-		
Other Sovereign revenue	12,417	16,701	634	465	937	862	(477)	(776)	(69,875)	(64,765)	13,511	17,252	-	-	-	-		
Revenue from Crown funding																		
Total sovereign revenue	130,586	112,857	65,856	59,825	5,590	6,267	(72,874)	(67,622)			129,158	111,327						
Sales of goods and services	880	172	8,765	8,025	33,156	32,520	(1,142)	(1,315)	(1,315)	(1,315)	41,659	39,402	-	-	-	-		
Interest revenue	2,518	2,799	-	-	4,468	1,346	(3,939)	(976)	(3,939)	(976)	3,047	3,159	-	-	-	-		
Rental revenue	3,377	1,939	-	-	2,919	2,869	(3,410)	(1,380)	(3,410)	(1,380)	2,886	2,868	-	-	-	-		
Aid revenue	29,902	44,449	6,154	26,668	266	132	(2,483)	(24,552)	(2,483)	(24,552)	33,839	46,697	-	-	-	-		
Total revenue earned through operations	36,677	49,349	14,919	34,693	40,809	36,867	(10,974)	(28,773)			81,431	92,136						
Total revenue (excluding gains and minority interest)	167,263	162,206	80,775	94,518	46,399	43,134	(83,848)	(96,395)			210,589	203,463						
Expenses																		
Personnel expense	-	-	48,683	47,525	9,417	9,318	-	-	2,018	2,061	60,118	58,904	-	-	-	-		
Welfare payments	15,878	15,691	-	26	24	375	402	(28)	(25)	-	15,878	15,691	-	-	-	-		
Audit Fees	-	-	109	108	1,592	869	-	-	-	-	1,701	977	-	-	-	-		
Changes in provision for doubtful debts	-	-	5,714	3,665	7,511	7,632	1	1	-	-	15,497	14,324	-	-	-	-		
Depreciation and amortisation	2,271	2,950	4	10	3,678	3,538	(1,488)	(1,470)	(1,488)	(1,470)	4,765	4,558	-	-	-	-		
Finance costs	2,571	2,460	42,683	5,516	9,702	-	(2,482)	(24,552)	(2,482)	(24,552)	30,814	27,833	-	-	-	-		
Aid expenses	27,780	107,490	18,712	15,891	18,089	19,822	(97,968)	(89,542)	(97,968)	(89,542)	52,802	53,661	-	-	-	-		
Total expenses (excluding losses)	162,469	171,274	78,764	76,925	40,662	41,581	(99,947)	(113,551)			181,948	176,329						
Operating balance before gains and losses (OBEGAL) & minority interest	4,794	(9,068)	2,011	17,593	5,737	1,553	16,099	17,056			28,641	27,134						
Other gains / (losses) and minority interest																		
Gain / (loss) on disposal of assets	31	56	(49)	(37)	(21)	(22)	-	-	(1)	(1)	(39)	(3)	-	-	-	-		
Foreign exchange gain / loss	4,847	(10,988)	-	-	25	2,090	-	-	-	-	4,872	(8,898)	-	-	-	-		
Share of profit or associate	-	-	-	-	-	2,763	3,079	-	-	-	3,079	3,079	2,763	-	-	-		
Total other gains / (losses) and minority interest	4,878	(10,932)	(49)	(37)	4	4,831	3,079	(1)	(1)	7,912	(6,138)							
Net surplus	9,672	(20,000)	1,962	17,556	5,741	6,384	19,178	17,055			36,553	20,996						

Statement of Segments reports on the three different segments of the Cook Islands Government. This includes Crown Parent, Crown Entities and State Owned Enterprises. A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

Inter-Segmental Elimination reports eliminations of any inter-agency revenue, expenses, assets and liabilities.

The whole of Government reports on the final consolidated financial performance and position as at 30 June 2016.

These financial statements should be read in conjunction with the accompanying notes and policies

Financial Statements of the Government of the Cook Islands



Statement of Segments (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

		Current Year Actual vs Prior Year Actual							
		Crown Parent		Crown Entities		State Owned Enterprises		Inter-Segment Elimination	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000
Assets									
Current assets									
Cash and cash equivalents	12,327	7,725	7,591	5,752	13,613	20,408	5,276	17,367	38,807
Term deposits	44,086	44,277	2,542	2,537	37,102	8,978	(29,745)	(22,494)	51,252
Trust accounts	19,165	13,361	5,875	5,969	(5,779)	(3,715)	(1)	(1)	53,985
Inventory	1,600	1,158	1,786	2,061	5,677	5,341	(1)	9,062	13,305
Debtors and other receivables	45,345	44,285	40,293	37,061	9,406	6,869	(70,826)	(62,050)	8,560
Banking portfolio investments	-	-	-	-	8,633	7,987	-	-	26,165
Total current assets	122,523	110,806	58,087	53,380	74,431	43,811	(99,011)	(67,178)	156,030
Non-current assets									140,819
Investments in shares and associate	28,669	28,911	-	-	8,660	(21,692)	(28,637)	(6)	8,692
Banking portfolio investments	-	-	-	-	56,540	47,580	-	-	56,540
Investment Assets	-	-	-	-	-	-	5,711	-	47,580
Plant, property and equipment	38,437	22,063	35,020	60,809	86,265	167,614	(36,919)	(106,617)	5,918
Intangible assets	233	-	352	851	861	-	-	297	137,951
Infrastructural assets	13,825	4,321	17,001	6,738	86,038	-	31,208	106,318	1,146
Total non-current assets	81,164	55,295	52,373	68,398	238,364	193,502	(28,637)	(8)	148,072
Total assets	203,687	166,101	110,460	121,778	312,795	237,313	(127,648)	(67,186)	317,187
Liabilities									458,006
Current liabilities									
Creditors and other payables	46,324	49,158	53,108	47,193	12,633	8,468	(95,524)	(80,608)	16,541
Employee entitlements	78	121	2,375	3,739	1,082	901	1	1	3,536
Trustee liabilities	19,430	13,787	8,508	8,486	-	74,183	33,663	(21,605)	27,937
Banking customer deposits	-	-	-	-	-	-	-	-	33,663
Current borrowings	-	-	-	-	-	-	6,040	5,436	5,436
Total current liabilities	65,832	63,066	63,991	59,418	87,898	43,032	(111,089)	(75,170)	106,632
Non-current liabilities									
Banking customer deposits	-	-	-	-	-	2,190	2,957	-	2,190
Non-current borrowings	103,392	100,727	-	-	23,702	1,495	(29,233)	(5,436)	97,861
Total non-current liabilities	103,392	100,727	-	-	25,892	4,452	(29,233)	(5,436)	96,786
Total liabilities	169,224	163,793	63,991	59,418	113,790	47,484	(140,322)	(80,606)	100,051
Net assets	34,463	2,308	46,469	62,360	199,005	189,829	12,674	13,420	206,633
Equity									194,936
Capital contributions and retained earnings	31,617	(1,733)	46,466	62,360	199,005	189,829	15,523	12,612	292,611
Total equity	31,617	(1,733)	46,466	62,360	199,005	189,829	15,523	12,612	292,611
									263,070



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Segments (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

Current Year Actual vs Estimated Actuals (Budget 2016)									
Crown Parent	Crown Entities		State Owned Enterprises		Inter-Segment Elimination		Whole of Government		
	Actual 2016 \$000	Budget 2016 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2016 \$000	Budget 2016 \$000	Actual 2016 \$000	Budget 2016 \$000	
Revenue									
Taxation revenue	118,169	102,914	-	-	-	(2,522)	-	115,647	102,914
Other Sovereign revenue	12,417	17,932	634	-	(477)	-	13,511	-	17,932
Total sovereign revenue	130,586	120,846	65,222	70,850	5,590	3,846	(74,875)	(74,696)	120,846
Sales of goods and services	880	-	8,765	5,720	33,156	2,020	(1,142)	(2,020)	41,659
Interest revenue	2,518	1,885	-	4,468	-	(3,939)	-	3,047	5,720
Rental revenue	3,377	-	-	2,919	-	(3,410)	-	2,886	1,885
Aid revenue	29,902	49,115	6,154	-	266	-	(2,483)	-	33,839
Total revenue earned through operations	36,677	51,000	14,919	5,720	40,809	2,020	(10,974)	(2,020)	81,431
Total revenue (excluding gains and minority interest)	167,263	171,846	80,775	76,570	46,399	5,866	(83,848)	(76,716)	210,589
Expenses									
Personnel expense	-	1,820	48,683	48,541	9,417	-	2,018	-	50,361
Welfare payments	15,878	16,798	-	-	-	-	-	15,878	16,798
Audit Fees	-	-	26	-	375	-	(28)	-	373
Changes in provision for doubtful debts	-	-	109	-	1,592	-	-	-	1,701
Depreciation and amortisation	2,271	5,373	5,714	3,774	7,511	1	-	15,497	9,147
Finance costs	2,571	2,285	4	-	3,678	(1,488)	-	4,765	2,285
Aid expenses	27,780	49,115	5,516	-	-	(2,482)	-	30,814	49,115
Other expenses	113,969	35,976	18,712	18,535	18,089	-	(97,968)	-	52,802
Total expenses (excluding losses)	162,469	111,367	78,764	70,850	40,662	-	(99,947)	-	181,948
Operating balance before gains and losses (OBEGAL) & minority interest	4,794	60,479	2,011	5,720	5,737	5,866	16,099	(76,716)	28,641
Other gains / (losses) and minority interest									(4,651)
Gain / (loss) on disposal of assets	31	-	(49)	-	(21)	-	-	-	(39)
Foreign exchange gain / (loss)	4,847	-	-	-	25	-	-	-	4,872
Share of profit of associate	-	-	-	-	-	-	3,079	-	3,079
Total other gains / (losses) and minority interest	4,878	-	(49)	-	4	-	3,079	-	7,912
Net surplus	9,672	60,479	1,962	5,720	5,741	5,866	19,178	(76,716)	36,553

Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Schedule 17.1 Statement of Financial Performance

Budget figures for State Owned Enterprises are not included in the above comparison as currently SOEs were not included in the preparation of the Government Budget Estimate 2015/2016.

The difference between the net surplus reported in schedule 11 of \$1,55 and the above reported loss of (\$6,936) is the result of inter-segment eliminations.

Refer to the Fiscal Overview section for explanations on significant variances to the budget.



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings
For the Year ended 30 June 2016
In New Zealand Dollars

	Loan start date	Loan end date	Loan currency	Original loan amount \$'000	Interest rate	2016 \$'000	2015 \$'000
External borrowings							
Asian Development Bank							
<i>Loans guaranteed by New Zealand Government</i>							
1. First multi project loan - 461	Nov-80	Aug-20	USD	1,000	1.00%	471	597
2. First Cook Islands Development Bank project loan - 567	Jul-82	Apr-22	USD	1,500	1.00%	461	557
3. Second multi project loan - 849	Dec-87	Aug-27	SDR	2,150	1.00%	1,827	2,058
4. Outer Islands telecommunications project loan - 1031	Oct-90	Aug-30	SDR	2,578	1.00%	4,402	4,877
5. Second Cook Islands Development Bank loan - 1155	Mar-92	Dec-31	SDR	1,085	1.00%	1,114	1,229
Total loans guaranteed by New Zealand Government						8,275	9,318
<i>Unguaranteed loans</i>							
6. TCI Emergency Loa- 1171	Aug-92	Jun-32	SDR	349	1.00%	384	423
7. Pearl Loan (1994) - 1309	Dec-94	Aug-34	SDR	272	1.00%	434	474
8. Education development- 1317	Feb-95	Aug-34	SDR	1,852	1.00%	2,644	2,889
9. Third Cook Islands Development Bank loan- 1380	Jan-96	Sep-35	SDR	1,977	1.00%	2,252	2,424
10. Economic Restructuring loan - 1466	Sep-96	Sep-36	SDR	3,430	1.00%	5,042	5,356
11. Cyclone Rehabilitation Project loan - 1588	Jan-97	Jan-38	SDR	583	1.00%	836	898
12. Waste Management loan - 1832	Dec-01	Jun-33	SDR	1,695	1.50%	2,225	2,442
13. Cyclone Emergency Assistance loan- 2174	Jun-05	Jan-45	SDR	1,895	1.00%	3,452	3,651
14. (SF) Avatiu Ports Development Loan - 2473	Sep-09	Nov-40	SDR	4,524	1.50%	8,968	9,295
15. (OCF) Avatiu Ports Development Project Loan - 2472	Sep-09	Nov-33	NZD	8,697	5.77%	9,598	9,796
16. (SF) Economic Recovery Support Program Loan - 2565	Jan-10	Oct-24	NZD	11,053	2.52%	8,541	9,546
17. (OCF) Avatiu Ports Development Project Loan- 2739	Dec-11	Nov-35	NZD	5,290	2.64%	5,278	5,323
18. (OCF) Avatiu Ports Development Project Loan- 2946	Dec-12	Oct-27	NZD	11,053	2.75%	6,948	7,250
19. (OCF) Avatiu Ports Development Project Loan- 3913				643	-	643	-
Total unguaranteed loans						57,245	59,767
Total Asian Development Bank borrowings						65,520	69,085
Caisse Francaise de Development							
1. Northern Group Solarisation Project Loan	Jan-99	Sep-18	EUR	1,159	0.75%	243	211
2. Rarotonga Water Supply & Electrification Loan	Jan-99	Sep-18	EUR	10,270	1.75%	1,235	1,766
Total Caisse Francaise de Development borrowings						1,478	1,977

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Borrowings (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

	Loan start date	Loan end date	Loan currency	Original loan amount \$'000	Interest rate	2016 \$'000	2015 \$'000
Export-Import Bank of China							
1. Indoor Sports Stadium & Upgrade of Existing Sports Facilities	Aug-08 Dec-12	Aug-28 Dec-32	RMB RMB	74,100 118,000	1.80% 2.00%	11,696 24,699	13,834 15,831
Total Export - Import Bank of China borrowings						36,395	29,665
New Zealand Government							
1. NZ Government Superannuation Fund Loan	Jan-98	Jan-03	NZD	5,561	3.00%	-	-
Total New Zealand Government borrowings						103,393	100,727
Total external borrowings							
Local borrowings							
Australia and New Zealand Banking Corporation							
1. Airport Authority Loan			NZD	8,100	5.99%	508	1,495
Total Australia and New Zealand Banking Corporation						508	1,495
Total local borrowings						508	1,495
Total borrowings						103,901	102,222

Total borrowings above includes both the Cook Islands Government and state owned enterprise loans. This equates to the amount in the Statement of the Financial Position and represents the complete picture of whole of Government debt obligations to external parties.

For the purposes of reporting the Government's debt obligations to external parties, the amounts disclosed on the Statement of Financial Position and Statement of Borrowings are disclosed at amortised cost.

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Borrowings (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

	2017 \$000	2018 \$000	2019 \$000	2020 \$000	2021 to 2025 \$000	2026 and after \$000	Total \$000
Maturity profile as at 30 June 2016							
External borrowings							
Asian Development Bank	3,821	4,399	4,399	4,399	21,995	26,506	65,519
Caisse Francaise de Development	915	563	-	-	-	-	1,478
Export -Import Bank of China	795	795	795	795	3,975	29,240	36,395
Total external borrowings	5,531	5,757	5,194	5,194	25,970	55,746	103,392
Local borrowings							
Australia and New Zealand Banking Corporation	509	-	-	-	-	-	509
Total local borrowings	509	-	-	-	-	-	509
Total borrowings	6,040	5,757	5,194	5,194	25,970	55,746	103,901
Maturity profile as at 30 June 2015							
External borrowings							
Asian Development Bank	2,231	3,821	4,399	4,399	21,995	32,240	69,085
Caisse Francaise de Development	915	915	147	-	-	-	1,977
Export -Import Bank of China	795	795	795	795	3,975	22,510	29,665
Total external borrowings	3,941	5,531	5,341	5,194	25,970	54,750	100,727
Local borrowings							
Australia and New Zealand Banking Corporation	1,495	-	-	-	-	-	1,495
Total local borrowings	1,495	-	-	-	-	-	1,495
Total borrowings	5,436	5,531	5,341	5,194	25,970	54,750	102,222

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Borrowings (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

	1 July 2015 \$'000	Additional loan \$'000	Loan repayment \$'000	Currency alignment \$'000	30 June 2016 \$'000
Movements during the year ended 30 June 2016					
External borrowings					
Asian Development Bank	69,085	643	(2,915)	(1,293)	65,520
Caisse Francaise de Development	1,977	-	(542)	43	1,473
Export - Import Bank of China	29,665	10,524	(1,026)	(2,769)	36,394
Total external borrowings	100,727	11,167	(4,483)	(4,019)	103,392
Local borrowings					
Australia and New Zealand Banking Corporation	1,495	-	(986)	-	509
Total local borrowings	1,495	-	(986)	-	509
Total borrowings	102,222	11,167	(5,469)	(4,019)	103,901
Movements during the year ended 30 June 2015					
External borrowings					
Asian Development Bank	65,936	-	(2,354)	5,483	69,085
Caisse Francaise de Development	2,525	-	(515)	(33)	1,977
Export - Import Bank of China	19,254	5,270	(896)	6,037	29,665
Total external borrowings	87,735	5,270	(3,765)	11,487	100,727
Local borrowings					
Australia and New Zealand Banking Corporation	2,409	-	(914)	-	1,495
Total local borrowings	-	2,409	(914)	-	1,495
Total borrowings	87,735	7,679	(4,679)	11,487	102,222

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the Year ended 30 June 2016
In New Zealand Dollars

	United States Dollar USD \$000	Euro EUR \$000	New Zealand Dollar NZD \$000	Chinese Yuan RMB \$000	Total \$000
Currency analysis as at 30 June 2016					
External borrowings					
Asian Development Bank	35,153	-	30,366	-	65,519
Caisse Francaise de Development	-	1,478	-	-	1,478
New Zealand Government	-	-	-	-	-
Export -Import Bank of China	-	-	-	36,395	36,395
Total external borrowings	35,153	1,478	30,366	36,395	103,392
Local borrowings					
Australia and New Zealand Banking Corporation	-	-	509	-	509
Total local borrowings	-	-	509	-	509
Total borrowings	35,153	1,478	30,875	36,395	103,901

	United States Dollar USD \$000	Euro EUR \$000	New Zealand Dollar NZD \$000	Chinese Yuan RMB \$000	Total \$000
Currency analysis as at 30 June 2015					
External borrowings					
Asian Development Bank	37,170	-	31,915	-	69,085
Caisse Francaise de Development	-	1,977	-	-	1,977
Export -Import Bank of China	-	-	-	29,665	29,665
Total external borrowings	37,170	1,977	31,915	29,665	100,727
Local borrowings					
Australia and New Zealand Banking Corporation	-	-	1,495	-	1,495
Total local borrowings	37,170	1,977	33,410	29,665	102,222
Total borrowings	37,170	1,977	33,410	29,665	102,222

Many of the loans from the Asian Development Bank are denominated in Special Drawing Rights (SDR). There is no term structure to SDR interest rates, to discount future SDR cash flows at [the SDR interest rate is an overnight rate]. The Cooks Islands pays these loans at USD calculated using the SDR:USD spot rate. However, the SDR is based on a basket of 4 currencies (USD, EUR, JPY and GBP) whose weights change based on their strength relative to the USD. The EUR and USD comprise approximately 80% of the weighted value of an SDR. To simplify the valuation process, we have converted the SDR cash flows into EUR and USD based on their relative weights in the SDR basket at each reporting date. Each series of USD and EUR cash flows has then been discounted using a EUR or USD interest rate derived as above, then converted to NZD at spot rate.

These financial statements should be read in conjunction with the accompanying notes and policies

Financial Statements of the Government of the Cook Islands



Statement of Borrowings (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

Fair value of borrowings

For the purposes of reporting the Cook Islands Government's borrowing obligations to external parties, the amounts disclosed in the Statement of Financial Position and the Statement of Borrowings are disclosed at amortised cost.

The table below shows the estimated fair value of borrowings. For disclosure purposes, borrowing values disclosed below are not the same as reported in the Statement of Financial Position and in the above segments of the Statement of Borrowings. Fair value has been calculated based on the net present value of the expected future cash flows, discounted at market interest rates.

	2015 Fair Value \$000	2016 Fair Value \$000
External borrowings		
Asian Development Bank		
1. First multi project loan - 461	433	525
2. First Cook Islands Development Bank project loan - 567	151	173
3. Second multi project loan - 849	1,466	1,568
4. Outer Islands telecommunications project loan - 1031	3,412	3,474
5. Second Cook Islands Development Bank loan - 1155	730	766
6. TCI Emergency Loan - 1171	251	256
7. Pearl Loan (1994) - 1309	257	261
8. Education development- 1317	1,566	1,595
9. Third Cook Islands Development Bank loan- 1380	1,277	1,288
10. Economic restructuring loan - 1466	2,503	2,458
11. Cyclone Rehabilitation Project loan - 1588	413	408
12. Waste Management loan - 1832	1,253	1,511
13. Cyclone Emergency Assistance loan- 2174	1,173	1,195
14. (SF) Avatiu Ports Development Loan - 2473	5,493	4,905
15. (OCF) Avatiu Ports Development Project Loan - 2472	10,543	10,703
16. (SF) Economic Recovery Support Program Loan - 2565	6,880	7,678
17. (OCF) Avatiu Ports Development Project Loan- 2739	3,568	3,568
18. (OCF) Avatiu Ports Development Project Loan- 2946	6,559	6,559
Total Asian Development Bank borrowings	47,928	48,891

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Borrowings (Continued)
For the year ended 30 June 2016
In New Zealand Dollars

	2016 Fair Value \$000	2015 Fair Value \$000
Caisse Francaise de Development		
1. Northern Group Solarisation Project Loan	192	192
2. Rarotonga Water Supply & Electrification Loan	1,176	1,693
Total Caisse Francaise de Development borrowings	1,368	1,885
 Export -Import Bank of China		
1. Indoor Sports Stadium Project, Repairs and Upgrade of Existing Sports Facilities	8,565	10,145
2. Rarotonga Water Ring Main Upgrade Loan	7,494	8,355
Total Export -Import Bank of China borrowings	16,059	18,500
 New Zealand Government		
1. NZ Government Superannuation Fund Loan	-	-
Total New Zealand Government borrowings	-	-
 Total external borrowings	65,355	69,276
 Local borrowings		
Australia and New Zealand Banking Corporation		
1. Airport Authority Loan	509	1,495
Total Australia and New Zealand Banking Corporation	509	1,495
Total local borrowings	509	1,495
 Total borrowings	65,864	70,771

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Commitments
For the year ended 30 June 2016
In New Zealand Dollars

	2016 \$000	2015 \$000
Commitments by type		
Lease commitments	6,391	6,620
Capital expenditure	25,000	25,000
Undisbursed bank loan facilities (Bank of the Cook Islands)	2,564	4,775
Total quantifiable commitments	33,955	36,395
Lease commitments by term		
One year or less	-	-
From one to two years	232	367
From two to five years	931	794
Over five years	5,228	5,459
Total lease commitments	6,391	6,620

Lease commitments

The above listing of lease commitments excludes the commitments held by the Cook Islands Government Property Corporation.

The Cook Islands Government has commitments relating to land leases held by the Cook Islands Government Property Corporation. These are long term, usually for a 20-30 year period with perpetual renewal rights. Due to the incomplete nature of the Corporation's records on its leases, it was not possible to calculate the future commitments in numerical terms.

Capital expenditure

Focus on Southern Group and Rarotonga under a new Renewable Energy program was committed in FY2015/16. The project estimated at NZD \$25.0 million, will have a loan component of NZD \$13.0 million and will be administrated by the Asian Development Bank to complete the transformation of electricity generation from diesel to solar power from the Southern Cook Islands and selected projects on Rarotonga.

There was no funds committed for future capital expenditure as at 30 June 2016.

Due to the above limitation with lease and capital commitments, the audit report of these financial statements is qualified in this regard.

Undisbursed bank loan facilities

Bank of the Cook Islands (BCI) has committed to lending a number of loans in the future that have not yet been drawn down.

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Contingent Liabilities**For the year ended 30 June 2016***In New Zealand Dollars*

	2016 \$000	2015 \$000
Uncalled capital - Asian Development Bank	1,689	1,741
Legal proceedings	4,356	4,356
Total quantifiable contingent liabilities	6,045	6,097

Uncalled capital

Asian Development Bank - Cook Islands Government Property Corporation owns 88 uncalled shares with a par value of US\$13,500 each. Using the USD rate of 0.7034, this equates to \$1,688,939 in NZD (2015: \$1,741,425 at 0.6822).

Legal Proceedings

A \$270,000 claim has been lodged in regards to negligence against Infrastructure Cook Islands and the keeping of records up to date.

A \$86,149 claim has been lodged in relation to medical negligence against the Ministry of Health .

A \$4,000,000 claim for damages against the Attorney General during the case Operation Slush.

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Accounting Policies
For the year ended 30 June 2016

Basis of preparation

Reporting entity

These financial statements are for the Government of the Cook Islands (Crown). This consists of:
Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

A schedule of the entities included in these financial statements is detailed on page 23.

The primary objective of the Crown is to provide goods or services for the social benefit of all Cook Islands citizens and permanent residents living in the Cook Islands. The achievement of social responsibility is paramount to the making of a financial return.

Statement of compliance

These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management (MFEM) Act 1995/96 and the International Public Sector Accounting Standards (IPSAS).

Measurement base

The financial statements have been prepared on the going concern assumption and the accounting policies have been applied consistently throughout the period except where stated elsewhere in this Statement of Accounting Policies.

These financial statements have been prepared using the historical cost method to report results, cash flows and the financial position of the Crown except certain assets are revalued. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

Reporting period

The reporting period is the year ended 30 June 2016. These financial statements were authorised for issue on 20 December 2019.

Significant accounting policies

The following accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied.

Recent standards

Of significant relevance to the Crown is the current development of new standards at the IPSAS Board. No new standards have been issued for the 2015/16 period by the board.

Basis of consolidation

Ministries, public enterprises and other authorities (including state owned enterprises (SOEs)) comprising the reporting entity are consolidated by adding together like items of assets, liabilities, equity, revenues and expenses on a line by line basis.

The effect of all material inter-entity transactions and balances are eliminated on consolidation. Commitments and contingent liabilities of public enterprises and other authorities are reported in the Statements of Commitments and of Contingent Liabilities.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)

For the year ended 30 June 2016

Associate

The Crown's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Crown has significant influence where the entity is neither a subsidiary nor an interest in a joint venture. Investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit after the date of acquisition. When the Crown transacts with an associate, all surplus and deficits related to the Crown are eliminated. Distributions received from an associate reduce the carrying value of the investment in the Crown Financial Statements.

Revenue

Revenue is measured at fair value of the consideration received or receivable.

Revenue levied through the Crown's Sovereign power

Payment of tax does not in itself entitle a taxpayer to an equivalent value of services or benefits, such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of revenue is met.

Revenue Type	Revenue Recognition Point
Individual Income Tax	Income tax is earned when individuals earn taxable income.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When taxable sales are made.
Departure Tax	Departure tax is included in the cost of airfares charged by Airlines to its customers. Recognition is when these are then paid by the Airlines to the Crown.
Customs levies	When goods liable to duty are assessed, except for Oil Companies; which are accounted for when the liability to the Crown is incurred.

Revenue earned through operations

Revenue from sales of goods or services is recognised when the product is sold or the services are provided to the customer.

Interest income

Interest income is earned on cash or cash equivalent assets. This is recognised in the period in which it is earned.

Fines

Fines are economic benefits or services potentially received by the Crown from an individual or other entity, as determined by a court or other law enforcement body, as consequence of the individual or other entity breaching the requirements of laws and regulations.

Investment income

Investment income is earned from the leasing or rental of Crown assets to third parties that is neither a Crown entity or a Crown related party. Investment income is recognised in the period in which it is earned.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2016

Gains

Realised gains arising from sale of assets or from the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.

Dividends

Dividends are recognised when the right to receive the payment has been established.

Aid (Development Partner) revenue

Revenue is recognised when donor funds are expensed on approved projects and upon receipt of aid donated assets.

Expenses

General

Expenses are recognised when incurred and are reported in the financial period to which they relate.

Welfare benefits

Welfare benefits are recognised in the period to which the payment of these benefits relates to.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Losses

Realised losses arising from sales of assets or the early settlement of a liability are recognised in the Statement of Financial Performance in the period in which the transaction is concluded.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in foreign currencies are translated into New Zealand dollar (NZD) using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Financial Performance.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

Aid expenses

Expenses are recognised when incurred on approved projects and are reported in the financial period to which they relate.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)

For the year ended 30 June 2016

Depreciation

Each part of an item of property, plant and equipment with a cost significant in relation to the total cost of the item shall be depreciated separately.

Depreciation of property, plant and equipment is provided on a straight line basis so as to allocate the cost of assets to their estimated value over their estimated useful lives. Typically, the estimated useful lives for various asset types are follows:

Asset type	Useful life
Office and computer equipment	3 – 4 years
Motor vehicles	5 years
Furniture and fittings	4 – 10 years
Plant and equipment	5 - 15 years
Buildings and improvements	10 - 40 years
Coastal protection	25 years
Power distribution network	20 years
Road network	30 years
Water network	15 years
Airport runways	15 – 100 years
Harbour and ports structures	10 – 20 years
Waste management facilities	15 years
Plant and equipment Tools	4 – 5 years
Marine equipment	5 years
Leased land and leasehold improvements	Term of the lease
Specialised buildings and other buildings	15 years

Non-current assets

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation.

The cost of property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Crown includes the cost of all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

When an item of property, plant and equipment is disposed, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Impairment

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Financial Performance.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2016

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, there will be future economic benefits evident and where these benefits will flow to the Crown and the cost of the item can be measured reliably.

Work in progress

Work in progress is recognised as cost less impairment and is not depreciated.

Infrastructure assets

Infrastructure assets are recorded at cost less accumulated depreciation.

Infrastructure assets are accounted for the same way as property, plant and equipment

Infrastructure assets include: road networks, water networks, power distribution networks, coastal protection systems, harbour and ports structures, waste management and airport assets. When an infrastructure asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Intangible assets

Intangible assets are software acquisition costs and are recorded at cost less accumulated amortisation and accumulated impairment losses.

The cost of purchased intangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Intangible assets might include: databases, software purchased, or software developed.

When an intangible asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Financial Performance.

Amortisation of intangible assets is on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Asset Type	Useful Life
Software, databases	3 - 5 years

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Debtors and other receivables

After initial recognition, loans and receivables are measured at amortised cost less any provision for impairment. Gains and losses when assets are impaired or derecognised are recognised in the Statement of Financial Performance.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)

For the year ended 30 June 2016

Debtors and other receivables (continued)

Tax receivables have been calculated on a subsequent receipt bases. All tax revenue received in the years subsequent to 30 June 2016 has been disclosed as tax receivables at year end.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Investments

Investments in associates are accounted for in the consolidated financial statements using the equity method. That is, investments in associates are initially recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit of the associate after the day of acquisition.

Banking portfolio investments

Loans are valued at net realisable value after provisions. Applicable security is obtained depending on the size and nature of loans. Non-performing loans are reviewed monthly on a case by case basis.

Provision for doubtful debts

Provision is made for taxation debt where recovery is considered doubtful.

Provision is made for banking portfolio Investments (specific loans) where recovery is considered doubtful or they have become non-performing. The accounting policy relating to measuring the impairment of loans and advances requires the Bank to assess impairment at least at each reporting date. The credit provisions raised represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement and in accordance with the Financial Supervisory Commission's (FSC) guidelines. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability. Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment. There is no general provision against banking portfolio Investments.

All bad debts are written off against specific provisions in the period in which they become classified as irrecoverable.

Aid (Development Partner) assets

Donor funds are deposited into bank accounts until expensed on approved assets. Where an asset is acquired at no cost, or is donated for use by the Crown or other Crown entity, it is recognised at fair value as at the date of acquisition.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2016

Liabilities

Borrowings

Borrowing liabilities are accounted for at amortised cost on the Statement of Financial Position. Any changes are recognised in the Statement of Financial Performance. Borrowings or the proportion of borrowings expected to be settled within 12 months of balance date are disclosed as current liabilities in the statement of the financial position. All other borrowings are disclosed as non-current liabilities.

Pension liabilities

Pension liabilities, in respect of the contributory service of current and past Members of Parliament, are recorded at the latest (30 June 1997) actuarial value of the Crown's liability for pension payments. There are no pension liabilities accruing to the Crown as a result of Government employees' membership of the Government Superannuation Fund (New Zealand).

Aid liabilities

Funds received from various donors are treated as liabilities until expensed on approved projects at which stage the funding is included within the Statement of Financial Performance as revenue.

Employee entitlements

These include annual leave earned but not yet taken at balance date and long service (bonus) leave. Long service bonus is paid out on the completion of three years continuous service within the Government. The bonus is equivalent to a fortnight pay of the employee and is provided for on a pro-rata basis in the statements of financial position. Annual leave and long service leave are expected to be settled within 12 months of balance date, are classified as current liability. All other employee entitlements are classified as a non-current liability.

Other liabilities

All other liabilities are recorded at the estimated obligation to pay. No liability for ongoing welfare payments has been recognised because no legal entitlement is considered to exist beyond the end of the current financial year until a new Appropriation Act is passed and is provided for on a pro-rata basis in the statement of financial position. Annual leave and long service leave to be settled within 12 months of the balance date, are classified as current liability. All other employee entitlements are classified as a non-current liability.

Cash flow

A cash flow statement identifies the sources of cash inflow, the items on which cash was utilised and the cash balance at the reporting date. Included in the cash flow statement are financing activities which are activities that result in the change of size and composition of the contributed capital and borrowings of the Crown.

Investing activities are the acquisition and disposal of long term assets and other investments.

Operating activities identify how much the Crown received from its actual operations.

Cash flow information allows users to ascertain how the Crown raised the cash it required to fund its activities and the manner in which that cash was utilised.

The direct cash flow method has been applied.

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)

For the year ended 30 June 2016

Leases

Finance leases transfer, to the Crown as lessee, substantially all the risks and rewards incidental to the ownership of an asset. The obligations under such leases are capitalised at the present value of minimum lease payments. The capitalised values are amortised over the period in which the Crown expects to receive benefits from their use.

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Operating leases are recognised as an expense in the Statement of Financial Performance, in the periods in which they are incurred.

The cost of leasehold improvements is capitalised and amortised over the lesser of the leasehold improvements useful life or the original lease term.

Commitments

The Statement of Commitments discloses those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included.

Contingent liabilities

Contingent liabilities are recorded when a possible obligation has arisen from an event in the past and which the existence will only be confirmed through the occurrence or non-occurrence of future events. Such liabilities will be disclosed if they are deemed to materially affect the reading of the presented financial statements.

Changes in accounting policies

There have been no changes to the accounting policies. All policies have been applied on a consistent basis with the prior year.

These policies should be read in conjunction with the financial statements and accompanying notes



Notes to the Financial Statements
For the year ended 30 June 2016

	Budget 2016 \$000	Actual 2016 \$000	Actual 2015 \$000
Note 1: Taxation revenue			
Direct taxation			
Individual income tax	22,201	22,964	19,016
Company income tax	10,625	12,363	6,792
Withholding tax	-	1,246	2,226
Total direct taxation	32,826	36,573	28,034
Indirect taxation			
Value added tax	50,316	58,011	47,359
Customs levies	11,956	12,374	10,536
Departure tax	7,816	8,689	8,146
Total indirect taxation	70,088	79,074	66,041
Total taxation revenue	102,914	115,647	94,075
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Schedule 17.5 Revenue Levied on Behalf of the Crown</i>			
Note 2: Other sovereign revenue			
Fees, fines, penalties and licenses			
Registration fees	1,388	1,923	1,761
Road transport licensing	1,060	952	1,184
Court fines	50	49	50
Other fees, fines and levies	-	46	1,274
Total fees, fines, penalties and licenses	2,498	2,970	4,269
Other Crown revenue			
Currency and numismatic revenue	4,338	600	501
Fisheries licenses	9,787	7,714	10,887
Tattslotto income	120	185	142
Other	1,189	2,042	1,453
Total other Crown revenue	15,434	10,541	12,983
Total other sovereign revenue	17,932	13,511	17,252
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Schedule 7 Revenue on Behalf of Crown (ROBOC)</i>			
Note 3: Sales of goods and services			
Crown parent			
Sales of goods	-	880	172
Total Crown parent sales of goods	-	880	172
Crown entities			
Sales of goods		291	229
Rendering of services	5,720	8,380	7,654
Total Crown entities sales of goods and services	5,720	8,671	7,883
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Schedule 17.1 Statement of Financial Performance</i>			
State owned enterprises (SOEs)			
Airport landing fees		4,432	4,138
Electricity sales		16,917	17,739
Fees and interest on banking portfolio assets		8,016	5,810
Port services		2,743	2,688
Other		-	972
Total State owned enterprises sales of goods and services	32,108	31,347	
Total sales of goods and services	41,659	39,402	

* There are no budget figures for revenue generated by SOEs as they are not included in the preparation of the Government Budget Estimate 2015/2016

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	Budget 2016 \$000	Actual 2016 \$000	Actual 2015 \$000
Note 4: Personnel expense			
Gross salaries and wages - Crown Entities	48,541	47,422	46,383
Gross salaries and wages - State Owned Enterprise	-	9,417	9,318
Gross salaries and wages - Head of Ministries	-	1,261	1,142
Gross salaries and wages - Members of Parliament	1,820	2,018	2,061
Total personnel expense	50,361	60,118	58,904
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1</i>			
Note 5: Welfare payments			
Old age benefits	12,479	11,843	11,540
Child benefits	2,701	2,714	2,767
Destitute and infirm benefits	396	673	690
Special assistance benefits	100	88	82
Power subsidies	87	69	72
Other	1,035	491	540
Total welfare payments	16,798	15,878	15,691
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Table 8.26 Old Age Welfare Funds</i>			
Note 6: Finance costs			
Interest expenses on foreign-sourced loans	2,285	2,571	2,468
Interest expenses on domestic loans		2,194	2,070
Total finance costs	2,285	4,765	4,538
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Schedule 11 Statement of Financial Performance</i>			
Note 7: Other expenses			
Payments on behalf of the Crown			
Private school funding	2,147	2,147	1,983
Tertiary training institutions	760	760	760
Air New Zealand underwrite	12,000	5,920	9,764
Tourism marketing	5,100	100	2,250
Patient referrals and pharmaceutical supplies	1,218	1,568	1,599
Te Maeva Nui cost	236	519	969
Members of Parliament travel cost	529	538	663
National superannuation fund	269	269	434
Community cleaning program (Vaka maintenance)	400	394	390
International subscriptions	552	472	514
Self Government Golden Anniversary	250	638	-
Other expenses	12,515	6,566	1,629
Unsubstantiated consolidated eliminating entries	-	(9,292)	(2,720)
Total payments on behalf of the Crown	35,976	10,599	18,235
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Section 8.11 Payments on Behalf of the Crown(POBOC)</i>			
Other operating expenses			
Fuel and oil		8,092	10,375
Communications		1,508	1,470
Repairs and maintenance		13,804	5,413
Office supplies and consumables		1,173	1,118
Professional services		1,550	1,348
Advertising and marketing		2,341	2,495
Insurance		1,131	1,214
Travel costs		1,544	934
Rentals and operating lease costs		454	217
Other expenses		10,606	10,842
Total other operating expenses	42,203	35,426	
Total other expenses	52,802	53,661	

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	Budget 2016 \$000	Actual 2016 \$000	Actual 2015 \$000
Note 8: Aid funded activities			
Aid revenue			
New Zealand Aid Assistance	18,405	18,040	23,392
China Aid Assistance	6,481	1,244	8,972
Australia Aid Assistance	747	498	8,645
European Union Assistance	9,155	603	958
United Nations Aid Assistance	1,682	411	1,503
Japan Aid Assistance	6,232	7,876	-
Other Aid Assistance	6,413	5,167	3,227
Total Aid revenue	49,115	33,839	46,697
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Table 15.2 Official Development Assistance Budget by Development Partner</i>			
Aid expenses			
Public sector reform	2,228	5,642	2,201
Human resource development and education	71	1,252	3,604
Outer Islands development	9,915	4,918	7,481
Health development	445	680	1,173
Tourism development	-	-	2,694
Economic development	20,484	2,507	3,595
Other sectors	1,492	691	258
Water and sanitation	5,889	4,144	1,712
Environmental protection	7,933	5,784	2,954
Housing and community amenities	-	175	1,008
Social protection	-	1,233	1,153
Public order	658	3,788	-
Total Aid expenses	49,115	30,814	27,833
Aid capital expenses			
Aid funded property, plant and equipment	3,025	18,864	
Total Aid capital expenses	-	3,025	18,864
Total Aid expenditure	49,115	33,839	46,697
<i>Source of budget figures: Cook Islands Government Budget Estimates 2015/2016 Book 1 - Table 15.3 Official Development Assistance Budget by Sector</i>			
Breakdown of Aid funded property, plant and equipment			
Te Kukupa patrol boat refit	-	8,573	
Donated heavy machinery	1,244	8,972	
Other assets	1,781	1,319	
Total Aid funded property, plant and equipment	3,025	18,864	

The aid assets disclosed above are not a complete presentation of all assets falling under the ownership and/or control of the Crown from aid funding during or in the previous year.

Due to the above limitation, the audit report of these financial statements is qualified in this regard.

Funds received from various development partners are treated as trustee liabilities until expended on approved projects at which stage the funding is included within the Statement of Financial Performance.

Development partner expenditure of a capital nature is accounted for as plant, property, and equipment within the Statement of Financial Position. Other expenditure funded through aid is included within the Statement of Financial Performance.

In many cases, the various development partners expend the aid funding direct with suppliers of goods and services. The treatment of this spending within the financial statements is consistent with funding received and expended by the Crown.

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	2016 \$000	2015 \$000
Note 9: Cash and cash equivalents		
Cash on hand	1,185	1,165
Cash at bank	37,622	50,087
Total cash and cash equivalents	38,807	51,252
 Term Deposits		
Less than 12 months	53,985	31,172
Over 12 months	-	2,133
Total term deposits	53,985	33,305
 Short term deposits are made for varying periods, depending on the immediate cash requirements of the Crown and earn interest at the respective short term deposit rates. Interest rates range from 2.51% to 4.50% (2015: 0.15% to 4.5%)		
 Loan Repayment Fund (LRF)		
Included in the above term deposits are funds that have been quarantined for the repayment of borrowings as per LRF Act 2014.		
 Note 10: Inventory		
Inventory held of use		
Diesel and oil for electricity generation	6,034	5,235
Bitumen and spare parts	424	750
Pharmaceuticals and hospital Supplies	456	748
Other	70	87
Total inventory held for use	6,984	6,820
 Inventory held for sale		
Numismatic coins	1,600	1,158
Pearls	416	523
Other	62	59
Total inventory held for sale	2,078	1,740
 Provision for obsolete stock	-	-
 Total inventory	9,062	8,560

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	2016 \$000	2015 \$000
Note 11: Debtors and other receivables		
Taxes receivable	8,932	10,515
Accounts receivable	11,599	11,952
Prepayments	661	2,246
Interest receivable	318	361
Accrued revenue	2,736	1,456
Dividends receivable	-	736
Aid receivable	1,216	966
Total debtors and other receivables (gross)	25,462	28,232
Provision for doubtful debts	(1,244)	(2,067)
Total debtors and other receivables (net)	24,218	26,165
Movements in the provision for uncollectability of accounts receivables are as follows:		
Balance at 1 July	(2,067)	(1,226)
Additional provisions made during the year	(1,701)	(977)
Receivables written off during the year	-	136
Provisions reversed during the year	2,524	-
Balance at 30 June	(1,244)	(2,067)
Note 12: Investments in shares and associates		
Investment in shares		
Asian Development Bank	161	161
Total investments in shares	161	161
Share of net assets of associate		
Carrying amount at beginning of year	7,052	5,889
Equity accounted earnings of associate	3,079	2,763
Dividends from associate	(1,600)	(1,600)
Total share of net assets of associate	8,531	7,052
Total investments in shares and associate	8,692	7,213

Associates are those entities in which the Crown has substantial shareholding and in whose commercial and financial policy decisions it participates but does not have any controlling interest.

Investment in associates comprises of Telecom Cook Islands Limited which is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands. The Crown's interest in Telecom Cook Islands Limited is held by Cook Islands Telecommunication Holdings Limited.

The Crown has 40% ownership in Telecom Cook Islands.

	2016 \$000	2015 \$000
Total assets	31,211	27,565
Total liabilities	9,644	8,314
Total income	26,939	36,131
Total profit / (loss)	8,317	11,026

During the year, the associate changed their balance date from 30 June to 31 December.

The audited financial statements for 2015 is for 18 months period ended 31 December 2015.

On 23 February 2015 Spark New Zealand sold their 60% interest in Telecom Cook Islands Limited to Teleraro Ltd, Bluesky's Cook Islands subsidiary. There is no change in the Crown's 40% share held by Cook Islands Telecommunications Holdings Ltd. The investee is now trading as Bluesky.

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the year ended 30 June 2016

	2016 \$000	2015 \$000
Note 13: Banking portfolio investments (held by Bank of the Cook Islands)		
Summary of loans portfolio by industry sector		
Agriculture	22	52
Fishing	-	-
Pearls	3	2
Consumer	9,423	9,018
Business	17,560	13,963
Housing	33,252	28,416
Staff	2,540	2,279
Tourism	7,885	6,318
Hire purchase loans	5	28
Total banking portfolio investments (gross)	70,690	60,076
Summary of loans portfolio by maturity		
Current banking portfolio investments	8,633	7,987
Non-current banking portfolio investments	62,057	52,089
Total banking portfolio investments (gross)	70,690	60,076
Current banking portfolio investments		
Current banking portfolio investments	8,633	7,987
Provision for bad and doubtful loans	-	-
Net current banking portfolio investments	8,633	7,987
Non-current banking portfolio investments		
Non-current banking portfolio investments	62,057	52,089
Provision for bad and doubtful loans	(5,517)	(4,509)
Net non-current banking portfolio investments	56,540	47,580
Total banking portfolio investments (net)	65,173	55,567

All loans have been made at varying interest rates, terms and securities. Loans attract the following interest rates:

- Housing 4.04% to 15.49% (2015: 4.54% to \$15.99%)
- Development (including business) 7.75% to 20.50% (2015: 7.75% to 20.50%)
- Consumer 9.50% to 20.50% (2015: 9.50% to 20.50%)
- Government 10.50% (2015: 10.50%)

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2016

Note 14: Property, plant, and equipment

Breakdown of property, plant and equipment and further information

Movement for each class of property, plant and equipment are as follows:

	Computer Equipment	Furniture & Fittings	Motor Vehicles	Plant & Equipment	Buildings	Land	Work in Progress	Unexplained Movements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost									
Balance as at 1 July 2014	7,485	3,407	10,797	41,120	78,387	12,939	36,990	1,191	192,316
Opening balance adjustments	(1,181)	2	216	9,076	758	-	8,788	(1,191)	16,468
Adjusted balance 1 July 2014	6,304	3,409	11,013	50,196	79,145	12,939	45,778	-	208,784
Additions	756	213	1,034	17,707	757	262	10,328	-	31,057
Disposals	136	90	599	512	8	-	23,404	-	24,749
Transfers	-	-	-	2	-	-	-	-	2
Unexplained movements	-	-	-	-	-	-	-	(257)	(257)
Balance as at 30 June 2015	6,924	3,532	11,448	67,393	79,894	13,201	32,702	(257)	214,837
Accumulated depreciation and impairment losses									
Balance as at 1 July 2014	6,382	2,055	9,125	21,623	24,498	14	1,146	(667)	64,176
Opening balance adjustments	(1,465)	215	(288)	9,424	(951)	87	(1,093)	667	6,596
Adjusted accumulated balance 1 July 2014	4,917	2,270	8,837	31,047	23,547	101	53	-	70,772
Depreciation	692	183	642	3,599	2,397	14	-	(212)	7,315
Accumulated depreciation on disposals	127	53	585	496	8	-	-	-	1,269
Transfers	3	9	62	-	(24)	-	-	-	50
Unexplained movements	-	-	-	18	-	-	-	-	18
Balance as at 30 June 2015	5,485	2,409	8,956	34,168	25,912	115	53	(212)	76,886
Carrying amount									
As at 30 June 2015	1,439	1,123	2,492	33,225	53,992	13,086	32,649	(45)	137,951
Cost									
Balance as at 1 July 2015	6,924	3,532	11,448	67,393	79,894	13,201	32,702	(257)	214,837
Opening balance adjustments	(82)	38	(53)	(298)	84	-	(1,328)	257	-
Adjusted accumulated balance 1 July 2015	6,842	3,570	11,395	67,095	79,978	13,201	31,374	-	214,837
Additions	1,263	315	1,489	11,296	200	2,129	7,176	-	23,868
Disposals	560	130	474	2,798	-	-	31,520	-	35,482
Transfers	39	28	183	537	501	-	-	-	1,288
Balance as at 30 June 2016	7,584	3,783	12,593	76,130	80,679	15,330	7,030	-	204,511
Accumulated depreciation and impairment losses									
Balance as at 1 July 2015	5,485	2,409	8,956	34,168	25,912	115	53	(212)	76,886
Opening balance adjustments	(100)	20	(141)	(81)	(367)	-	(49)	300	(418)
Adjusted accumulated balance 1 July 2015	5,385	2,429	8,815	34,087	25,545	115	4	-	76,468
Depreciation	667	238	824	4,431	2,508	18	-	(214)	8,472
Accumulated depreciation on disposals	496	116	406	2,606	-	-	-	-	3,624
Transfers	41	7	33	171	140	-	-	-	392
Balance as at 30 June 2016	5,597	2,558	9,266	36,083	28,193	133	4	(214)	81,708
Carrying amount									
As at 30 June 2016	1,987	1,225	3,327	40,047	52,486	15,197	7,026	214	122,803

Ownership and completeness of assets

These assets disclosed in these financial statements are not a complete presentation of all assets falling under the ownership and/or control of the Crown. These assets presented are included on the basis of the current understanding of the entities at the time the financial statements were prepared.

The audit report of these financial statements is qualified in this regard.

Entities valuation

Certain historical fixed assets under the control of the Crown have been included in the Statement of Financial Position based on valuations performed by the entities or have been recorded in the financial statements at nil value. This is due to loss of accounting records.

This treatment is a departure from IPSAS 17 Property, plant and equipment which notes an appraisal of an asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification. The audit report of these financial statements is qualified in this regard.

The audit report of these financial statements is qualified in this regard.

These notes should be read in conjunction with the financial statements and policies

Financial Statements of the Government of the Cook Islands



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

Note 15. Infrastructure assets

Breakdown of infrastructure assets and further information

Movement for each class of infrastructure assets are as follows:

	Roading	Power Network	Harbour & Ports	Airport	Coastal Protection	Water Management	Waste	Work in Progress	Unexplained Movements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost										
Balance as at 1 July 2014	5,152	10,098	31,636	52,056	929	1,968	3,214	3,882	723	109,658
Opening balance adjustments	(240)	7,700	(21,003)	26	-	708	173	9,890	(723)	(3,469)
Adjusted balance 1 July 2014	4,912	17,798	10,633	52,082	929	2,676	3,387	13,772	-	106,189
Additions	-	3,882	23,328	-	-	-	-	12,860	-	40,070
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2015	4,912	21,680	33,961	52,082	929	2,676	3,387	26,632	-	146,259
Accumulated depreciation and impairment losses										
Balance as at 1 July 2014	2,029	215	1,449	4,712	584	472	290	114	(3,136)	6,729
Opening balance adjustments	(428)	10,277	257	18	1	988	173	(22)	3,136	14,410
Adjusted accumulated balance 1 July 2014	1,601	10,492	1,706	4,730	585	1,470	463	92	-	21,139
Depreciation	1,853	818	874	1,585	37	398	294	82	601	6,542
Accumulated depreciation on disposals	-	-	-	-	-	-	-	8	-	8
Transfers	-	-	(2)	7	-	-	-	-	1,204	1,209
Balance as at 30 June 2015	3,454	11,310	2,578	6,322	622	1,868	757	166	1,805	28,882
Carrying amount										
As at 30 June 2015	1,458	10,370	31,383	45,760	307	808	2,630	26,466	(1,805)	117,377
Cost										
Balance as at 1 July 2015	4,912	21,680	33,961	52,082	929	2,676	3,387	26,632	211	146,259
Opening balance adjustments	-	868	823	-	-	(715)	-	-	-	1,187
Adjusted balance 1 July 2015	4,912	22,548	34,784	52,082	929	1,961	3,387	26,843	-	147,446
Additions	15,356	864	131	-	-	2,493	1,679	8,398	-	28,921
Disposals	130	-	-	-	-	-	-	628	-	-
Transfers	1,940	1,003	5,889	222	-	475	-	(557)	-	8,972
Unexplained movements	-	-	-	-	-	-	-	-	(2,571)	(2,571)
Balance as at 30 June 2016	22,078	24,415	40,804	52,304	929	4,929	5,066	34,056	(2,571)	182,010
Accumulated depreciation and impairment losses										
Balance as at 1 July 2015	3,454	11,310	2,578	6,322	622	1,868	757	166	1,805	28,882
Opening balance adjustments	-	50	641	1	-	(532)	-	138	(1,805)	(1,507)
Adjusted accumulated balance 1 July 2015	3,454	11,360	3,219	6,323	622	1,336	757	304	-	27,375
Depreciation	1,210	791	1,486	1,615	37	461	294	12	442	6,348
Transfers	66	13	210	7	-	59	-	(140)	-	215
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	4,730	12,164	4,915	7,945	659	1,856	1,051	176	442	33,938
Carrying amount										
As at 30 June 2016	17,348	12,251	35,889	44,359	270	3,073	4,015	33,880	(3,013)	148,072

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

Note 16: Intangible assets
Breakdown of intangible assets and further information
Movement for each class of intangible assets are as follows:

	Purchased Software	Developed Software	Naming Rights	Unexplained Movements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
Balance as at 1 July 2014	516	249	109	-	874
Opening balance adjustments	2,435	-	-	-	2,435
Adjusted balance 1 July 2014	2,951	249	109	-	3,309
Additions	623	-	-	-	623
Disposals	-	-	-	-	-
Unexplained movements	-	-	-	-	-
Balance as at 30 June 2015	3,574	249	109	-	3,932
Accumulated amortisation and impairment losses					
Balance as at 1 July 2014	298	249	109	-	656
Opening balance adjustments	1,873	-	-	-	1,873
Adjusted accumulated balance 1 July 2014	2,171	249	109	-	2,529
Amortisation expense	255	-	-	-	255
Accumulated amortisation on disposals	-	-	-	-	-
Balance as at 30 June 2015	2,426	249	109	-	2,784
Carrying amount	1,148	-	-	-	1,148
As at 30 June 2015					
Cost					
Balance as at 1 July 2015	3,574	249	109	-	3,932
Opening balance adjustments	(474)	-	-	-	(474)
Adjusted balance 1 July 2015	3,100	249	109	-	3,458
Additions	811	-	-	-	811
Disposals	12	-	-	-	12
Asset Transfers	-	-	-	-	-
Balance as at 30 June 2016	3,899	249	109	-	4,257
Accumulated amortisation and impairment losses					
Balance as at 1 July 2015	2,426	249	109	-	2,784
Opening balance adjustments	(423)	-	-	-	(423)
Adjusted accumulated balance 1 July 2015	2,003	249	109	-	2,361
Amortisation expense	463	-	-	-	463
Accumulated amortisation on disposals	13	-	-	-	13
Balance as at 30 June 2016	2,453	249	109	-	2,811
Carrying amount	1,446	-	-	-	1,446
As at 30 June 2016					

These notes should be read in conjunction with the financial statements and policies
Financial Statements of the Government of the Cook Islands



Notes to the Financial Statements (continued)
For the year ended 30 June 2016

Note 17: Investment Property

	2016 \$000	2015 \$000
Opening Balance 1 July	5,918	6,036
Additions	7	94
Disposals	-	-
Depreciation	(214)	(212)
Closing Balance as at 30 June	5,711	5,918

Investment property includes buildings and premises owned by the Airport Authority, Ports Authority, and Cook Islands Property Corporation (NZ) Limited for which rental income is earned.

Note 18: Related parties

Related party relationships are a normal feature of commerce. Therefore, the Government will transact with related parties as a matter of course.

Related parties of the Government include:

- * Ministers of the Crown, who are key management personnel because they have authority and responsibility for planning, directing and controlling the activities of the Government, directly or indirectly
- * Ministers' spouses, children and dependants who are close family members of key management personnel, and
- * Private-sector entities owned or jointly controlled by Ministers, their spouses, children and dependants.

The key management personnel are members of the senior management group. Key management personnel have authority and responsibility for planning, directing and controlling activities of the Government, directly and indirectly. Key management personnel in Government are the cabinet ministers.

The aggregate remuneration of members of the senior management group and the number of individuals determined on a full time equivalent basis receiving remuneration within this category are

	2016	2015
Aggregate remuneration	540,000	540,000
Number of persons	6	6

Given the range of Government activities these related parties transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment of taxes and user charges (such as purchase of electricity), and the receipt of entitlements and services (such as access to education). These transactions have not been separately disclosed in this note.

Other transactions with these related parties can include the employment of Minister's spouses, children and dependants by a Government entity, including ministerial offices, departments, Crown entities and State-owned enterprises, receipt of grants from, or the purchase or sale of goods and services to, a Government entity by Ministers, their spouses, children and dependants, or private-sector entities they own or jointly control. These transactions have not been separately disclosed in this note, unless they have taken place within a Minister's portfolio.

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

	2016 \$000	2015 \$000
Note 19: Creditors and other payables		
Creditors, accruals and provisions	12,415	19,909
Customer bonds	876	806
Provision for legal settlement	1,557	2,458
Members of Parliament pension liability	1,286	1,583
Taxation refunds payable	-	1,140
Other creditors and payables	407	3,162
Total creditors and other payables	16,541	29,058
Note 20: Employee entitlements		
Current employee entitlements		
Provision for annual leave	3,536	4,762
Total current employee entitlements	3,536	4,762
Note 21: Trustee liabilities		
Aid funding liabilities	19,473	15,315
Land trust liability	4,730	4,731
Workers compensation liability	1,530	1,526
Law trust liability	286	286
Customs bond trust liability	111	132
Insurance trust liability	38	37
Other trust liabilities	1,728	207
Immigration trust liability	41	40
Total trustee liabilities	27,937	22,274
Trust Accounts		
Aid trust accounts	14,997	9,441
Land trust account	4,303	2,128
Workers compensation account	1,590	1,526
Law trust account	286	286
Customs bond account	111	132
Insurance deposits account	38	37
Total trust accounts	21,325	13,550

Aid funding liabilities

The Aid funding liabilities relates to aid funding received from donors which have not yet been expensed on approved aid projects.

Land trust liability

The land trust liability is held by the Ministry of Justice for the administration of a land trust account where payments are received from lessees and are paid to the land owners. Unclaimed deposits are held by the Crown.

Workers compensation liability

The workers compensation liability is an accumulation of all historical levies received from employers less compensation payments to employees for accident or death under the Cook Islands Workers Compensation Ordinance 1964.

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)

For the Year Ended 30 June 2016

	2016	2015
Note 22: Banking customer deposits (held by the Bank of the Cook Islands)		
Current customer deposits less than 12 months	52,578	33,663
Customer deposits between 12 to 24 months	2,190	2,957
Total banking customer deposits	54,768	36,620

Banking customer deposits are held by the Bank of the Cook Islands yielding interest rates between 1.40% and 4.76% (2014: 1.40% and 4.76%), and are unsecured.

There are no specific assets to match the superannuation benefit liability. The liability is funded from the Crown's general monetary assets.

Note 23: Statement of specific fiscal risks (foreign currencies)

The principles of responsible fiscal management as detailed in Part III, Section 23 of the Ministry of Finance and Economic Management (MFEM) Act 1995-96 are to:

- a) managing total Crown debt at prudent levels so as to provide a buffer against factors that may impact adversely on the level of total Crown debt in the future, by ensuring that, unless such levels have been achieved, the total operating expenses of the Crown in each financial year are less than its total operating revenues in the same financial year: and
- b) achieving and maintaining levels of Crown net worth that provide a buffer against factors that may impact adversely on the Crown's net worth in the future: and
- c) managing prudently the fiscal risks facing the Crown: and
- d) pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Ongoing risks to the Crown debt liability is the value of the NZD against major trading currencies. This has been mitigated by the set up of the Loan Repayment Fund Act 2014 legislated to quarantine funds aimed at covering debts and a buffer for exchange rate shocks.

	2016	2015
Euros	0.6262	0.6093
United States dollars	0.7034	0.6822
Chinese Yuan	4.6377	4.2346

* Exchange rates obtained from the Reserve Bank of New Zealand as at 30 June.

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

Note 24: Subsequent events

Te Mato Vai – Rarotonga water upgrade

The Cook Islands Government embarked on a multimillion dollar upgrade of the water supply system on Rarotonga, with the goal of “delivering potable water, reliably, to all properties connected to the existing water supply network”, originally by 2015. In order to achieve its target, the Cook Islands Government formed “Te Mato Vai” – the Cook Islands Water Partnership with the Governments of the People’s Republic of China and New Zealand. Funding for the Water Supply Upgrade has been provided through a combination of Cook Islands budget funding, a Chinese Government loan and grant assistance from New Zealand Government.

The project is divided into two stages – Stage 1 being the replacement of the ring main; Stage 2 being the refurbishment of intakes and provision of storage, filtration and trunk mains.

Stage 1 of the project is complete.

Stage 2 of the project is currently in progress and is expected to be completed in June 2020. Stage 2 will establish a new pipe network and significant upgrades to 10 of the islands’ 12 water intake sites, introducing new treatment and storage facilities to manage demand more effectively.

Current status of the project as at November 2019:

New Zealand Aid	\$39.2 million
Chinese Government loan	\$27.8 million
Cook Islands Government	\$22.6 million
Total Budget for the project:	\$89.6 million
Percentage complete:	
Stage 1: Ring main replacement:	100%
Stage 2: Upgrade of the 10 water intakes:	80%
Total amount spent on project:	\$68.3 million

Apex Agencies Limited (Toa Petroleum) profit guarantee final payment

The Apex Agencies Limited profit guarantee is a court ordered payment for a profit guarantee to Apex Agencies Limited in accordance with the terms of the legal settlement agreement. The agreement requires Government amongst other things to guarantee making up the balance if Apex Agencies' profit falls below \$1.2 million per annum. The Government made the last and final payment in December 2017.

Manatua cable

In early April 2017, an agreement between the Governments of the Cook Islands, Niue, French Polynesia and Samoa was signed to facilitate the design, construction and operation and maintenance of a regional submarine cable system that will connect these countries. In October 2018, all four Consortium members signed a Construction and Maintenance Agreement and Supply Contract. The Supply Contract has been awarded to Tyco Electronics Subsea Communications LLC. The Supply Contract is for the design, manufacture, installation, integration, testing and commissioning of the Manatua Cable System and the provision of long term technical support and maintenance of the System.

Avarua Cable Limited is the Manatua Consortium member for the Cook Islands. The Government of New Zealand has granted NZ \$15.0 million to support the project, and a Grant Funding Agreement (GFA) was signed for the disbursement of the funds in April 2018. The Asian Development Bank has approved a loan allocation of up to US \$15.0 million, equivalent to NZ \$21.3 million. As of October 2018 a revised work plan has been put together which details key milestones to be achieved as part of the Manatua Submarine Cable project with budgeted costing and will be utilised as a guide for the release of funds from the GFA and the ADB Loan.

Current status of the project as at November 2019:

New Zealand Aid	\$15.0 million
ADB Loan	\$21.3 million
Total Budget for the project:	\$36.3 million
Percentage complete:	1%
Total amount spent on project:	\$0.4 million

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

Note 24: Subsequent events (continued)

Minimum wages and salary adjustment

In April 2014 the minimum wage in the Cook Islands was increased from \$5.00 an hour to \$6.00 an hour. This was further increased to \$6.25 in the 2015/16 financial year, \$7.00 in 2016/17 and \$7.25 in July 2018. The minimum wage rate was further increased to \$7.60 in July 2019.

Tereora College Redevelopment Project

The Tereora College redevelopment project was a gift from the New Zealand Government marking the Cook Islands 50 years of self governance. The construction contract was awarded to Landholdings Ltd and construction started in October 2016. The redevelopment of Tereora College responds to demands for modern and flexible infrastructure that will support innovative learning. The redevelopment plan involved three stages; Stage 1 being the technologies, student research and administration centres, Stage 2 being the academic centre and Stage 3 being the performing arts centre.

Current status of the project as at November 2019:

New Zealand Aid	\$12.0 million
Total Budget for the project:	\$12.0 million
Percentage complete:	100%
Total amount spent on project:	\$13.8 million

Apia Nikao Rebuild

Apia Nikao School was destroyed by a fire in 2013.

The Chinese Government provided a grant to the Cook Islands for the Apia Nikao School rebuild.

China Civil Engineering Construction Corporation was awarded the construction contract in April 2017. Construction started in May 2017 and was completed a year later, May 2018

The rebuild project comprised of three classroom blocks covering approximately 5,200m². The buildings feature flexible learning spaces which include large learning areas for each grade and break-out spaces for individual or smaller group learning. These flexible spaces support innovative learning principles promoted in New Zealand schools.

Water tanks, solar panels for power generation, and a pillared-concrete fencing system have been installed to make the school more resilient to climate change and to reduce its carbon footprint.

Current status of the project as at November 2019:

Chinese Aid	\$11.8 million
Total Budget for the project:	\$11.8 million
Percentage complete:	100%
Total amount spent on project:	\$11.8 million

Tax Amnesty

The Government granted a tax amnesty period from 1 August to 31 December 2017. This was later extended to 31 March 2018. The aim was to address the large amount of tax debt owed by taxpayers and reported in the Crown Statement of Financial Position. It was also to encourage individuals and businesses not registered for tax, to get registered.

The Tax Amnesty was a limited-time opportunity for all taxpayers to clear their outstanding tax or come to a working arrangement with the local tax authorities to repay all outstanding tax.

There were three ways to benefit from the Tax Amnesty;

1. A remission or write off of all additional tax owed.
2. A write off of any turnover tax still owing
3. A waiver from prosecution for any disclosure of evaded income and a 20% penalty only will be charged.

For the duration of the Amnesty, Government has experienced an increase in tax revenue collected implying that taxpayers are taking advantage of this opportunity. As at 30 June 2018, \$22.6 million in taxes due was forgiven and thus written off as a result of the tax amnesty initiative.

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2016

Note 24: Subsequent events (continued)

Southern Group Renewable Energy Project

The Southern Group Renewable Energy Project is the second phase in the Cook Islands pursuit to delivering renewable energy to all islands by 2020 by building solar powered plants. The first phase was the Northern Group Renewable Energy Project which involved the following islands: Manihiki, Pukapuka & Nassau, Palmerston, Penrhyn and Rakahanga. The Southern Group Renewable Energy Project includes the following islands: Mauke, Mitiaro, Mangaia, Atiu, Aitutaki and Rarotonga.

The project is funded by the following parties; Asian Development Bank, European Union, Global Environment Fund and Green Climate Fund.

Current status of the project as at November 2019:

Asian Development Bank	\$13.0 million
European Union	\$17.0 million
Global Environment Fund	\$12.1 million
Green Climate Fund	\$18.3 million
Total Budget for the project:	\$60.4 million
Percentage complete:	99%
Total amount spent on project:	\$27.2 million

These notes should be read in conjunction with the financial statements and policies

Financial Statements of the Government of the Cook Islands

